PROPOSITION 13
IN
LOS ANGELES COUNTY GOVERNMENT

BEFORE AND AFTER

Report by the Task Force on Proposition 13

LOS ANGELES COUNTY
ECONOMY AND EFFICIENCY COMMISSION

February 6, 1980

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PROPOSITION 13 IN LOS ANGELES COUNTY GOVERNMENT

Before and After

The Los Angeles County Board of Supervisors imposed economies on County departments well before Proposition 13. Cost control measures included a strict hiring freeze, limitations on negotiated wage increases, reduction of benefit contributions for new employees and productivity improvement.

The Board's actions were effective. Between 1976 and 1978 the measures reduced the employee population by 4,200, slowed annual growth of the intergovernmental budget (adjusted for inflation) to 2% from 5% in the early 1970's, halted real growth of the Board-controlled budget which had been increasing by 3%, and reduced welfare administration costs by 7%. These measures affected all County functions, including those delivering Federal and State services, but had least impact on safety and justice.

In addition, the Board proposed and the voters adopted several civil service reforms. These include Charter amendments eliminating the prevailing wage clause, broadening the County's authority to contract with private firms, and revising civil service rule making procedures. These can be expected to have substantial long range effects.

After 1978, State and County implementation of Proposition 13 introduced two new elements: an accelerated shift of resources from local programs to State programs, and service level reductions. Resources shifted not only because the State placed high priority on its programs in replacing the lost property tax but also because the State provided County government with no new options.

At present, Los Angeles County government employs 79,500 workers. The Board of Supervisors manages an intergovernmental budget of $4.2 billion influenced by Federal, State, County and city policies. The level of the budget controlled principally by Board policy is approximately $1.6 billion. After adjusting for inflation, the County's intergovernmental budget is 3% lower than in 1978. The County controlled budget is 14% lower than in 1978. Current levels are about the same as 1971 levels.

Further improvements are possible. They are not, however, simple matters of operating efficiency in the County's 54 departments. They will require difficult political decisions which the Board presently has no authority to make because the State, to which Proposition 13 transferred additional power, provided no new options and incentives for revising organization, restructuring city-County systems, and establishing local standards. Instead of seizing the opportunity to reform policy and structure, the State merely refinanced the current inefficient system.

Further improvements will be difficult. They will affect constituencies. The first step, however, is return from the State to local officials the authority to evaluate the alternatives, make the choices and accept the accountability.

PREFACE

In Spring, 1979, our commission appointed a task force to determine the impact of Proposition 13 on County government. After initial review of studies by the Department of Finance and others, the task force established, as its objective, a review of the actions taken by County government since 1976 to respond to community pressure for cost reduction. The task force has reviewed the effects of those actions both before and after Proposition 13. This report contains its conclusions.

In Chapters I and II we discuss the effects of reduction strategy and the way the effects differ for specific functions of County government. We evaluate the County's cost-control strategies in Chapter III. In Chapter IV we discuss several examples of the potential for more improvement. Throughout, we distinguish between two periods. The first, 1976 to 1978, was influenced primarily by policies established by the Board of Supervisors and implemented by County management. The second period, 1978 to 1980, was influenced by State and local policy to implement Proposition 13.

The data in this report come from audited, published County documents adopted by the Board of Supervisors. Our principal indicators are budgets and employee-population counts. We use the data to evaluate the overall response to Proposition 13 throughout the County government system in accordance with our objective. Our computation methods emphasize total annual system costs, and therefore our estimates differ in some instances from County estimates used for partial year budgeting or planning purposes. We describe such cases in the text.

To the degree necessary to ensure accuracy, we have reviewed the data and our interpretation with County officials, and we thank them for their assistance. We have not, however, asked them to supply us with data or to duplicate our work. This report, therefore, reflects our analysis and judgment; we are responsible for its contents.

We believe that the conclusions stated by the task force in this report tend to support the commission view that the kinds of radical cost reduction envisioned by Howard Jarvis and his supporters cannot be accomplished within the framework of current intergovernmental structure and policy. In other words, cost reduction of sufficient magnitude will require re-evaluation of public policy and change of the intergovernmental structure.

Proposition 13 had severe financial effects on County government. They are documented in this report. Proposition 13, however, was not the only force to improve efficiency in County government considered by itself: effective County cost reduction began in 1976. Legislative implementation of Proposition 13 failed to bring about comprehensive intergovernmental policy and structural reform. Instead, it transferred power away from the local level, where it has been effective, to the State, which has for decades frustrated reforms proposed by the County.

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In this report, we evaluate Los Angeles County's response, before and after Proposition 13, to community pressure to reduce cost. We discuss the additional effects of State and County implementation of Proposition 13 on the functions of County government. We describe how the County managed the resource reductions, and discuss the policy implications of what remains to be done. In this chapter, we summarize our findings. The remainder of the report contains a discussion of findings and conclusions.

Messages of Proposition 13

The overwhelming vote favoring Proposition 13 in June, 1978, carried several messages for State and local government. Many voters, beset with inflation in general and escalating housing inflation, could no longer afford property taxes. One message, then, was to reduce the importance of property taxes as a method of financing government programs. Other voters wanted to express resentment of government in general and the cost of welfare in particular. Still others focused on the need to reduce the effects of such governmental disincentives affecting business as regulation and taxation.

Central to all the messages, however, was a single clear belief: that government, if forced to act, could improve the efficiency and effectiveness of its operations. Public opinion surveys, before and after Proposition 13, show that the general public apparently does not want to eliminate government services or its regulatory and political functions in the community. Rather, the public expects to force government reform by radically reducing the amount of money available to finance those services and functions. In short, Proposition 13 represented an attack on government waste more than on programs. Local and State programs would survive with much less revenue,

but somehow run more efficiently.

The cost of County government and the size of its workforce reflect the operations of a complex intergovernmental system. The levels of service and some of the costs are determined by the collective policies of city, County, State and Federal officials. In addition, the County is subject to law, to court decisions, and to contracts with such organizations as County employee unions. It is therefore often incorrect to assign sole responsibility for policies and the resulting costs to any single governmental unit.

Similarly, County government is affected, like other organizations, by external events and conditions beyond its control. While it may be true, for example, that government contributes to inflation, County government is also a victim of inflation.

Nevertheless, as our commission has repeatedly emphasized, the Board of Supervisors has considerable influence over such operational and administrative cost elements as the size of the workforce it employs, the organization of employees into work units, the wages and benefits paid, and the use of managerial technology to ensure acceptable levels of productivity.

WHAT HAS BEEN DONE

County Action

County government responded to growing pressure for change in 1976. In that year, the Board of Supervisors imposed a strict hiring freeze and adopted budgetary and wage policies designed to improve control over costs. In addition, the Board of Supervisors proposed and the electorate adopted several major reforms of the civil service system designed to improve the efficiency of County government: County wage policy is no longer restricted by the prevailing wage clause of the County Charter, and County management is, for the first time, able to consider contracting with private firms for service when doing so would be more cost effective than employing

County personnel. Finally, the County implemented computer systems and management techniques that significantly improved the efficiency of its welfare departments.

By 1978, the Board of Supervisors had reduced the size of the employee population by 4,200, from an average of 85,560 in 1976 to an average of 80,360 in 1978. The County halted growth of the part of the budget it controls, after adjusting for inflation. In addition, the County slowed the annual real growth rate of the intergovernmental budget it manages from 5% in the late 1960's and early 1970's to 2% in the mid 1970's.

Constraints imposed by the Board of Supervisors before Proposition 13 affected the County's regulatory, development support, and cultural functions - functions over which the Board of Supervisors can exercise the highest degree of control. In addition, Board imposed constraints severely reduced resources allocated to the Federal and State health services and welfare functions. The welfare administration budget declined 7% between 1976 and 1978 after adjusting for inflation. Similarly, the workforce employed by the County to deliver Federal and State health programs declined by 650. In contrast, while justice, public safety and central administrative and support functions experienced some impact, it was less severe than the others.

Effects of Proposition 13

Numerous effects of Proposition 13 on the operation of local and State government have been documented elsewhere. According to reports by the General Accounting Office and several others evaluating Statewide aggregates, the financial effects have been minimal. A large State surplus and a continuously healthy State economy have generated sufficient revenue to permit the State to replace much of the lost property taxes, thus preventing catastrophic results of the kind predicted before Proposition 13.

Indeed, one theoretical economist - Arthur Laffer of the University of Southern California - attributes the current boom in California's economy to Proposition 13. It reduced tax disincentives to business and increased discretionary consumer income. No one so far has predicted what may happen in the economic downturn recently forecast by economists at Security Pacific Bank. The healthy State economy over the past few years has not only generated revenue, it has also led to substantial declines in the demand for social welfare services of government.

Still other reports have focused on the effects of Proposition 13 and its messages on the productivity and morale of government employees. Findings appear to show that the morale of government employees is significantly depressed, but the evidence is so far incomplete on whether this has adversely affected productivity.

One of the findings of many studies is central to our evaluation of government responses to pressure to reduce costs. That finding is that implementation of Proposition 13 transferred political responsibility for eliminating waste and improving effectiveness from local governments to the State and Federal governments. Our study supports that conclusion.

At present, Los Angeles County employs approximately 80,000 workers and manages an intergovernmental budget of $4.2 billion ($2.0 billion in constant 1967 dollars).

The decline of employee population has continued since passage of Proposition 13 in 1978. The average size of the workforce has dropped an additional 880 employees. The County-controlled budget has declined at an annual rate of 7.1% from $857 million (constant 1967 dollars) in 1978 to $739 million today. This present level of budgeted expenditure is lower than in 1970-71, after accounting for 88% inflation since 1971. Proposition 13 also reversed growth in the intergovernmental budget. The intergovern-

mental budget is declining (in constant 1967 dollars) at an average annual rate of 1.4%.

All functions of County government have been affected by the diminishing resources. Local functions, however, have experienced more severe reduction than State and Federal functions. Since Proposition 13, resources have shifted to Federal and State health and welfare programs. The health services workforce, for example, has increased by 1,250 employees. Declines of local program resources have accelerated to annual rates approaching 15%. Public safety resources have declined for the first time. The proportion of County resources allocated to health and welfare is higher than it was before Proposition 13.

The shift has occurred for two reasons. First, in the legislation implementing Proposition 13, the State put priority on its health and welfare programs. It also required no reduction in the level of public safety services. While it provided block grant financing for local functions, it gave these functions lowest priority.

Second, while supplying the funding to replace lost property taxes, the State took no action to increase County officials' authority to improve efficiency or cut programs. As a consequence, cuts have been concentrated where the County has unilateral authority because the State provided no new options. The State, by explicit action affecting health, welfare and public safety and by default in other cases has therefore dominated the political choices determining the allocation of much of the funding.

The task force concludes that one major effect of the implementation of Proposition 13 was transfer of increased influence over County operations to the State government.

STRATEGIES AND ACCOMPLISHMENTS

The Board of Supervisors used six basic methods of managing the resource reduction: 1) a hiring freeze, 2) negotiated restraint of wage increases, 3) negotiated reduction of employee benefit costs, 4) civil service reform proposals adopted by the electorate, 5) productivity improvement, and 6) service level reduction.

The County's strategies have been successful. In each case, however, the long term effectiveness of the strategy will depend on the resolution of major public policy issues requiring the cooperation of all levels of government, the public, and public employee unions.

Hiring Freeze

Under a hiring freeze imposed by the Board of Supervisors, no County department can hire new employees or promote current employees to fill positions vacated by employees who leave the County. When such a freeze is imposed, therefore, the number of employees is reduced by attrition.

The freeze has been effective. The County employs 5,080 fewer workers now than in 1976. However, reductions tend to cycle when accomplished entirely through attrition and hiring freezes. The freeze was relaxed late in 1977, when the workforce reached a low just over 78,000 employees. It was strictly enforced again following Proposition 13, but has since been relaxed. This suggests that the effectiveness of the hiring freeze cannot be sustained in the County at levels below 78,000 employees, because of the arbitrary incidence of attrition.

Because the freeze policy relies on attrition for its effects, management cannot exercise choice over the amount of reduction in any single function or activity. Attrition depends on the individual choices of employees to leave County employment. Its effects will be concentrated in areas where significant numbers of employees are qualified for retirement

or have substantial outside employment opportunities. Management does not, therefore, plan for its effects or allocate them among the various departments and functions.

On the other hand, within the framework of present civil service rules, affirmative action laws, and negotiated contracts with labor unions, the hiring freeze is preferable to systematic layoffs. Civil service rules and union contracts require the County to manage layoffs on a strict seniority principle; management has no choice of which employees to retain. Because of seniority rules, layoffs tend to erase affirmative action gains. County government cannot realistically negate affirmative action policy, and civil service rule changes take time. Therefore, in the absence of policy changes, County officials prefer the hiring freeze as a method of managing reduction.

In this environment, County management has only three realistic options to adjust to the uncontrollable impact of attrition when vacancies reach unsustainable levels. The first is to eliminate services as soon as too few employees remain to perform them. The second is to reorganize the County delivery system by consolidating functions. The third is to relax the hiring freeze.

The first two of the three options would require systematic and comprehensive revision of current public policy as reflected in the local political system.

The task force concludes that the hiring freeze has been effective. Further improvement will require changes of public policy.

Wage Increase Restraint

In past studies, several organizations have concluded that County wages tend to be higher than those paid for similar positions in the private sector.

Such studies rely on averages and generally published data. It is invalid to conclude from them that all County wages are excessive. Like any employer, the County tailors its negotiating position to the specific requirements of specific jobs.

We do not discount the complexity of wage administration in an organization of 80,000 employees. Nevertheless, studies have indicated that appropriate action by the Board to determine and enforce strict negotiating policies could reduce gaps where they exist, thus improving overall salary performance as an element of County costs. The Board took action and it has been effective.

The most effective device available to the Board to improve control of County salaries is its negotiating policy governing the wage increases granted County employees.

Before 1973, the cumulative effect of increases put County wages ahead of both prices and community wages. The gap began to close in 1974. The cumulative effect of County wage increases fell behind cumulative price increases by 1977-78.

Any advantage that some employees might have had has been reduced significantly; others may be at a disadvantage. The County is experiencing difficulty recruiting in today's heated labor market for clerical, engineering and data-processing personnel. Policy issues are emerging governing the relationships between wage levels and the need for control of quality and performance in the conduct of public business.

The task force concludes that the Board of Supervisors has effectively improved control over salaries.

Improved Control of Benefit Costs

At present, the County spends approximately $600 million on employee benefits. Expressed as a percent of salary for those eligible (rather than of total salaries), the average rate is approximately 43%. It ranges from 41% in administrative departments to 53% for firefighters and deputy sheriffs.

Expressed as a percentage of salary, the County's total benefit package costs about the same as the packages of large private corporations. According to surveys by the U.S. Chamber of Commerce, employers with more than 5,000 employees averaged 40% of salaries in 1977 and ranged as high as 49% for large financial companies.

Although the County's overall benefit rate is about the same as that in major private corporations, the mix of benefits is in some respects different. While private corporations provide much larger life insurance programs, for example, and may have bonus or other incentive programs, the most costly County benefits are the systems for retirement and for paid leave. The County's performance on both of these has been criticized by our commission, Grand Juries, and, most recently, Town Hall of California.

The Board of Supervisors, in negotiation with County employee unions, has taken effective steps to improve performance. In 1977, the Board modified the structure of retirement benefits for new employees and has more recently adopted additional modifications. As a result, the County's share for new employees was halved.

The Board of Supervisors has also reached agreement with the union on improved control over sick leave and workers' compensation. As a result of the improved discipline, the cost of paid leave has declined by approximately $18 million since 1977, and County officials expect more rapid future declines.

Changes in workers' compensation policy have reduced actual losses by $15 million.

> *The task force concludes that Board action has improved control over the cost of the benefit package most dramatically for new employees, because of retirement changes, but significantly overall.*

While some further improvement may be within the scope of Board control, significant future reforms, particularly of pension costs and workers' compensation, will require action by the State legislature.

Civil Service Reform

The Board of Supervisors has introduced additional modifications whose effects on cost control are not yet known. In particular, the Board sponsored and the voters adopted three amendments to the County Charter which are likely to have considerable impact on the Board's future ability to control costs. They are

- an amendment removing department heads hired after 1976 from civil service protection.
- an amendment restructuring the Civil Service Commission and revising its rule-making procedures.
- an amendment permitting the County to contract with private firms for services when doing so can be shown to be more cost-effective than performing the service with County employees.

We believe that the first two should improve the Board's ability to tighten control over its organization and reduce the operational impact of archaic and unwieldy civil service provisions. The third - contracting with private firms - has great promise as a means of improving productivity.

The Board and County management have placed top priority on implementing these reforms. Management, for example, is exploring the use of contracting with private firms for services. Some 53 proposals to contract are in various stages of preparation in 26 departments. The Contract Services Advisory Committee has been developing several additional proposals.

The task force concludes that the County is implementing civil service reforms proposed by the Board of Supervisors and adopted by the voters.

Productivity Improvement

The County has implemented management systems improvements in welfare administration. Specifically, the Department of Public Social Services:

- implemented work measurement systems affecting 80% of the staff.

- implemented a computerized caseload information system supporting recipient eligibility determinations, reducing case processing time, and substantially increasing the success of fraud or error prevention and detection.

- implemented work simplification and consolidation measures permitting a reduction of management or supervisory positions.

As a result, the Department has reduced the workforce by 16% from 13,860 employees in 1976 to approximately 11,610 at present. The administrative budget, adjusted for inflation, declined by 9% from $118 million to $107 million (constant 1967 dollars). During the same period, the caseload managed by the department declined by 5%, from approximately 946,000 persons in 1976 to 898,000 at present.

The task force concludes that the County has improved the productivity of the welfare administration function it performs for the State.

Service Level Reduction

The responses of State and County government to the reduction of resources available for County services has led to the declines in the capacity of County government to provide public safety services and in the quantity and quality of cultural and recreational services.

Both functions are best viewed within the context of the entire city-county system of governments. Both the County and cities within the County perform services and provide facilities for these functions. New cities may join the County system; others may drop out or form their own

consolidated organization. In the case of fire protection, for example, new cities have entered the County system. The effects of resource reduction are magnified by the increased workload.

In the cases of police and fire, the County has adapted to increased workload and diminishing resources by reducing capacity. The Fire Department has consolidated stations, eliminated patrols, a helicopter crew, and a forestry unit and closed one fire camp. The Sheriff has deferred on-the-job and in-service training. We refer to these changes as reductions in capacity because their effects, as measured by hazards to life and property, cannot be known until emergencies occur in the affected areas. The reduction implies an increased risk that the system may not be able to respond in time, and in that sense a lower level of service.

In the case of cultural, recreational and educational services, resources have been slashed by 20%. The departments have adapted to contraction by taking steps to improve efficiency. In most, however, the principal impact of economy measures has been reduced levels of service. The imposition of admission fees at the museums and arboreta, for example, resulted in reported attendance declines of 40% to 80%. The Public Library, which initially received no replacement revenue from the State after Proposition 13, deferred all acquisitions of new books, reduced the hours open to the public, and closed several access points. Circulation declined by 5%. Other recreational departments deferred equipment maintenance and replacement.

Within the framework of the current city-county system, additional resource declines can only result in further service level reduction. The alternative, restructuring the city-county system, will require a re-evaluation of public policy in each of approximately 40 independent jurisdictions as well as considerable detailed planning and design work.

The task force concludes that service levels have been reduced in the County's public safety and cultural and recreational system.

The Board of Supervisors adopted and County management enforced effective methods of reducing the resources consumed by County government and improving productivity. Further reduction will require changes of public policy and intergovernmental structure. We discuss selected examples in the next section.

POLICY ALTERNATIVES AND ISSUES

Since its inception, our commission has studied inefficiencies of the local governmental system. We have been highly critical, because we believe that alternatives exist which are reasonable and practical. In almost every instance, however, we have concluded that reducing local government costs requires a thorough radical revision of the service programs themselves and of the local governmental structure and systems used to provide them.

The overall record is mixed on such aspects of reform. For several years, the County Board of Supervisors has been improving control over organization and productivity in certain departments. Recently, it has considered proposals to improve the organization of services by consolidating certain functions, but it has had little success in comprehensive revision of the County's basic organizational structure. The County has reduced service levels in many of its municipal functions, but there has been little progress in improving the intergovernmental efficiency of duplicative city-county functions. Although the State legislature has increased its financial influence over County government by replacing much of the property tax revenue lost to Proposition 13, it has an abysmal record of support for legislation needed by the County to reduce costs and reform local organization. In short, the record seems to indicate that the Board of Supervisors has improved the cost-effectiveness of County government where it can with unilateral action within the current

system. We see little improvement in changing the system itself, which requires cooperation between individual constituencies, city governments, State governments, public employee unions, and the County government.

Some analysts of the causes and effects of Proposition 13 have concluded that it has caused political, rather than fiscal crisis. We agree. So far, because of the presently healthy State economy, governments have found the decline of resources manageable. The fundamentals of the system, however, have not changed. In implementing Proposition 13, the State provided no new options. Instead of seizing the opportunity to encourage policy changes and restructuring, the legislature merely provided enough replacement revenue to finance the current inefficient system. The options open to the Board within its present unilateral authority are as limited as before.

We offer the following examples of available alternatives, by no means a comprehensive list.

Court Services Efficiency

> *The State should permit the Board of Supervisors to reorganize bailiff and process serving functions in the municipal and superior courts into a single organization.*

Since 1967, the County has proposed legislation which would enable it to consolidate the Marshal's and Sheriff's process serving and bailiff functions into one organization. The legislation has been defeated because court lobbies oppose it. The policy issues in this case include the question of the separation of the Municipal and Superior Courts and the question of independent Municipal Court administration.

Court Financing

> *The State should permit the Board of Supervisors to set the levels of fees for filing civil cases and to establish market rates of interest applied to civil judgments.*

The critical level of civil case backlogs caused the legislature to authorize additional judges for the Los Angeles Courts. We believe that realistic filing fees and interest rates could also influence the backlog by eliminating financial incentives to litigate. At the same time, realistic fees would reduce or eliminate taxpayer subsidies of civil litigation. This legislation has been proposed by the County but has been defeated because influential legal lobbies oppose it. The policy issues in this case include the access of poor people to the Courts, the potential effects on the constitutional separation of judicial from other branches of government, and the uniformity of the State court system.

Fail Safe Standards

State law also influences County options in such apparently small matters as coroner's procedure and security guard qualifications. Legislative alternatives include, for example,

> *Authorizing the County to determine the appropriate level of fees for embalming and other first-call services and the levels at which private contract mortuaries can be reimbursed.*

The Chief Medical Examiner-Coroner traditionally contracted with private mortuaries for embalming and other first call services since doing so improved cost effectiveness. Recently, the legislature imposed restrictions on prices. The consequence has been that private mortuaries will no longer agree to such contracts. Therefore department staffing has increased. The public policy issues in this case include such questions as control of business practices in the mortuary industry and access of indigents to the protection of government.

Eliminating provisions that County and other local government security staff be classified as limited peace officers.

Recently, the Board's Contract Services Advisory Committee recommended that the County consider contracting with private firms for security services. One obstacle to implementation of that recommendation is that County security officers are, according to State law, considered peace officers while on duty. The limited peace officer status elevates qualification and training standards to levels which are typically not provided by contract firms. The policy issue in this case is the standard of protection required in public buildings and facilities.

The agreement of employee unions would be necessary to implement several additional alternatives. Such alternatives include, for example, modifying the costly automatic salary increase plan to improve cost control and encourage the use of salary policy as a performance incentive. Policy issues include equity, governmental competition in the labor market, and management accountability for employee performance.

In each case, our point is not that the legislature should adopt a solution to the problem as stated. Rather, it is that <u>local government</u>, not the State, should be required to perform the political task of considering the alternatives and making the decision.

In our final example, the issue is not to provide new options, but rather statutory incentives.

City-County Restructuring

As we explained above, service levels have declined for public safety and for cultural and recreational functions of County government. These functions are part of the city-county system of services.

Several groups, including our commission, have concluded that the entire city-county system of services has excess capacity because of its interjurisdictional structure. This is true even when each of the individual jurisdictions is designed and operating at peak efficiency. It is a case where the aggregate efficiency of the system is much lower than the efficiency of any single part, because of the relationships among the various parts.

The studies have proposed alternative structures including regionalized joint powers agencies, inter-city or County contracting, and consolidation. The electorate in 1978 voted support of such alternatives in an advisory measure. Before any further progress can be made, however, two steps will be necessary: 1) cities and the County must evaluate public policy and decide whether or not to change the system in this period of declining resources, and 2) cities and the County must commit resources to producing detailed needs assessments, plans, and alternative designs for each area.

CONCLUSION

The Board of Supervisors acted to impose hiring and fiscal constraints on County government before Proposition 13. State and County responses implementing Proposition 13 caused resources to shift to State health and welfare functions. Thus, local functions, including public safety, have experienced the most severe resource declines.

More important, the State provided no new options. In the case of justice, for example, the County needs statutory authority to implement efficiency improvements or user revenue increases. The Board of Supervisors has proposed to the legislature measures which, if implemented, would save

approximately $20 million and eliminate incentives spurring increased civil litigation. The legislature has failed to adopt these proposals. Instead, it has authorized the addition of 25 new judges to the Superior Court system, at an annual cost of $4 million. Legislative action and inaction have cost the taxpayers a total of at least $24 million.

The County used effective methods within its unilateral control to manage the decline of resources. The Board of Supervisors and management enforced a strict hiring freeze, restrained wage increases, reduced the cost of employee benefits, proposed civil service reforms adopted by the voters, improved productivity, and reduced levels of service.

However, the long-term effectiveness of managing resource declines will require changes of public policy and intergovernmental structure. We believe that local government, not the State, is the appropriate arena in which to deliberate on the alternatives, consider the trade-offs, and make the difficult choices. With still greater reductions of local government resources looming on the horizon, we call for recognition that the major inefficiencies remaining in our local system are structural and political.

CHAPTER I

EFFECTS OF REDUCTION STRATEGIES

- *During the late 1960's and early 1970's, resources consumed by the State-County-City system managed by the Los Angeles County Board of Supervisors were growing at average annual rates of over 5% after adjusting for inflation. Board action in 1976 slowed this growth to 2%. Since Proposition 13, the trend has reversed: intergovernmental resources are now declining by 1% per year.*

- *During the late 1960's and early 1970's, County controlled resources were growing at average rates of 3% after adjusting for inflation. Board action in 1976 halted this growth. Since Proposition 13, County controlled resources have been declining at rates of 7%. The present level is lower than in 1971 after adjusting for 88% inflation since 1971*

I - EFFECTS OF REDUCTION POLICY

In this chapter, we describe overall trends in the cost of County government and discuss changes of those trends that can be attributed to public pressure for improved cost effectiveness in County government.

We use two major indicators of the cost of County government: the size of the budget and the size of the workforce. Both indicators contain information which, when interpreted carefully, can support inferences regarding the impact of policies of the Board of Supervisors, of cost control measures imposed by the Board and County management, and of such external political and economic forces as Proposition 13.

Both indicators are difficult to interpret. Budgets reflect nothing more than financial plans and may differ substantially from actual expenditures. Both the size of the budget and the size of the workforce reflect the operations of a complex intergovernmental system managed collectively by city, county, state and federal officials. It is often incorrect to assign responsibility for them to the policies of a single governmental unit. It is thus difficult to isolate the effects of one unit's actions on the whole system or to hold that unit solely accountable for changes in the system. Similarly, it is difficult to attribute change or its apparent absence to any single external event or condition such as the passage of Proposition 13, inflation, or the strength of the economy.

Budgetary and workforce data nevertheless provide a current empirical basis for analyzing system changes. Our interpretation of the evidence recognizes a multiplicity of causes for the changes and attempts to isolate the effects of County actions from those over which County government and its community have little control.

County Budgets

The two graphs on the next page illustrate changes in the County budget since fiscal 1967-68*, in constant 1967 dollars. We present the amounts in constant dollars to eliminate the effects of inflation of the general economy, as measured by the Consumer Price Index in the Los Angeles area.

The top graph illustrates changes in the County's total budget. Federal and State agencies provide approximately half of this total for such expenditures as grants to health and welfare recipients. County government acts as a custodian and distributor of such funds, but has little control over the amounts or over the criteria controlling their distribution. The total budget also includes amounts paid by cities and other users purchasing services from County government. These amounts are controlled jointly by the users, who establish required levels of service, and the County, which establishes such components of service cost as the organization of the service, the number employed to provide it, and employee compensation. Finally, the total budget includes amounts spent by special districts governed by the County Board of Supervisors. It excludes amounts spent by city governments, school districts, and special districts or agencies with independent governing boards. The top graph thus records the budgeted cost of the intergovernmental system managed by the Los Angeles County Board of Supervisors.

As the graph shows, the intergovernmental budget rose to peak levels in 1971-72 and 1973-74 - both periods of generally poor economic conditions. In real terms, the budget fell to lows in 1975-76 and 1976-77 as the economy stabilized and strengthened. In the period immediately preceding Proposition 13, the budget in real terms began to increase; since Proposition 13 it has declined.

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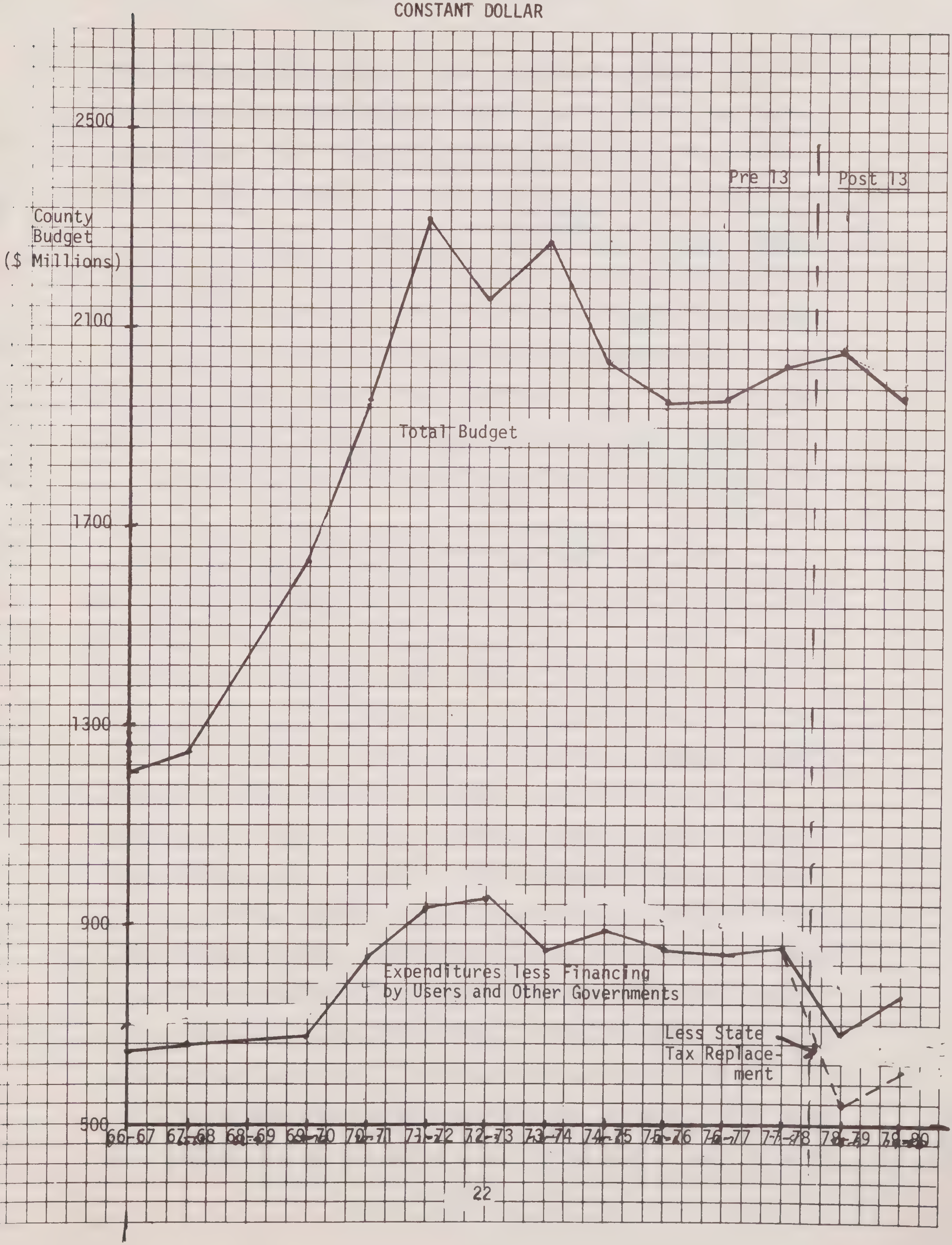
*The County's fiscal year begins July 1 and ends June 30 of the following year.

BUDGETED COUNTY EXPENDITURES
CONSTANT DOLLAR



The lower graph on page 22 reflects trends in the budgeted costs, in constant 1967 dollars, of those County programs which are controlled principally by the Board of Supervisors - that is, the budget for all County programs less grants from Federal and State sources and user payments for services delivered by County government. This indicator eliminates most, but not all of the effects of Federal and State mandates. For example, it includes the locally financed share of health and welfare benefits. Nevertheless, it is the best readily available indicator of costs controlled by the Board of Supervisors. Approximately 70% of the cost reflects County employee salaries and benefits, which are controlled by the Board through the number of people the County employs, its compensation policy, and the organizational structure of County government.

As the graph shows, County controlled budgets rose to a peak in 1972-73, declined temporarily in 1973-74 and fluctuated slightly until the passage of Proposition 13, when they again declined. The dashed line on the graph reflects the additional effect of State financing to replace revenue lost for local County programs after Proposition 13.

Intergovernmental Budget Trend

The table on the top of the next page summarizes the intergovernmental information in the top graph over three periods. During the first period, 1967-1976, the cost of the system was increasing at an average real annual rate of 5.4%, continuing the growth of government services initiated in the 1960's. Fluctuations in costs were caused principally by economic conditions influencing the health and welfare system. In 1976, the Board of Supervisors imposed hiring and cost controls which effectively slowed the rate of increase to 2.0%. Since the passage of Proposition 13 in 1978 the intergovernmental budget in real terms has declined at an average annual rate of 1.4%. We emphasize that, in each period, health and welfare costs controlled by the

State and Federal governments dominate the budget, which is therefore significantly influenced by general economic conditions.

Intergovernmental System Budget Trends
Los Angeles County

Period (Fiscal Year Ending)	Total Budget (Constant $ Million) Beginning of Period	End of Period	Average Annual Percent Change (Compound Rate)
1967 to 1976	1,209	1,947	+5.4
1976 to 1978	1,947	2,025	+2.0
1978 to 1980	2,025	1,967	-1.4

County Budget Trend

The table below summarizes the County controlled budget for the growth period (1967-76), the period immediately following Board action to control costs (1976-78), and the period immediately following Proposition 13. The present level of $739 million (in 1967 dollars) is less than budgeted expenditure was in 1970-71 after accounting for 88% inflation since 1971.

County System Budget
Los Angeles County

Period (Fiscal Year Ending)	County Budget (Constant $ Million) Beginning of Period	End of Period	Average Annual Percent Change (Compound Rate)
1967 to 1976	648	857	+3.1
1976 to 1978	857	857	0.0
1978 to 1980	857	739	-7.1

After Proposition 13, the State government provided financing for most health and welfare costs that had formerly been financed by local property taxes. Because of this financing, the local budget declined to new lows after Proposition 13, of $685 million in 1978-79 and $739 million in 1979-80.

The Size of the County Workforce

The size of the workforce employed by Los Angeles County is a more sensitive indicator than the budget of the effects of reduction policy. As we noted above, County government is a labor intensive business: some 70% of its locally controlled costs reflect the cost of labor. Reduction of the labor force is therefore necessary to significantly reduce costs. In addition, the budget merely reflects an operational plan that may differ substantially from reality. The size of the employee population is a measure of actual budget implementation. Finally, in contrast to the budget, the size of the workforce is the most precise available indicator of costs that are controlled by Board policy. In this report, we use the total number of employees - including those whose compensation is financed by Federal unemployment programs (CETA) and those whose status differs from full-time civil service employment.

Between 1967 and 1976, the size of the County workforce grew at an average annual rate of 4.1% from approximately 58,830 employees in 1967 to a peak of over 86,000 employees in fiscal year 1975-76.

In 1976, the Board of Supervisors imposed a strict hiring freeze and adopted an explicit goal to systematically reduce the number of County employees by 2% annually. In the solid line in the graph on the next page, we illustrate quarterly changes of employee population from December, 1974, about a year before its peak level, through the freeze period to the present.

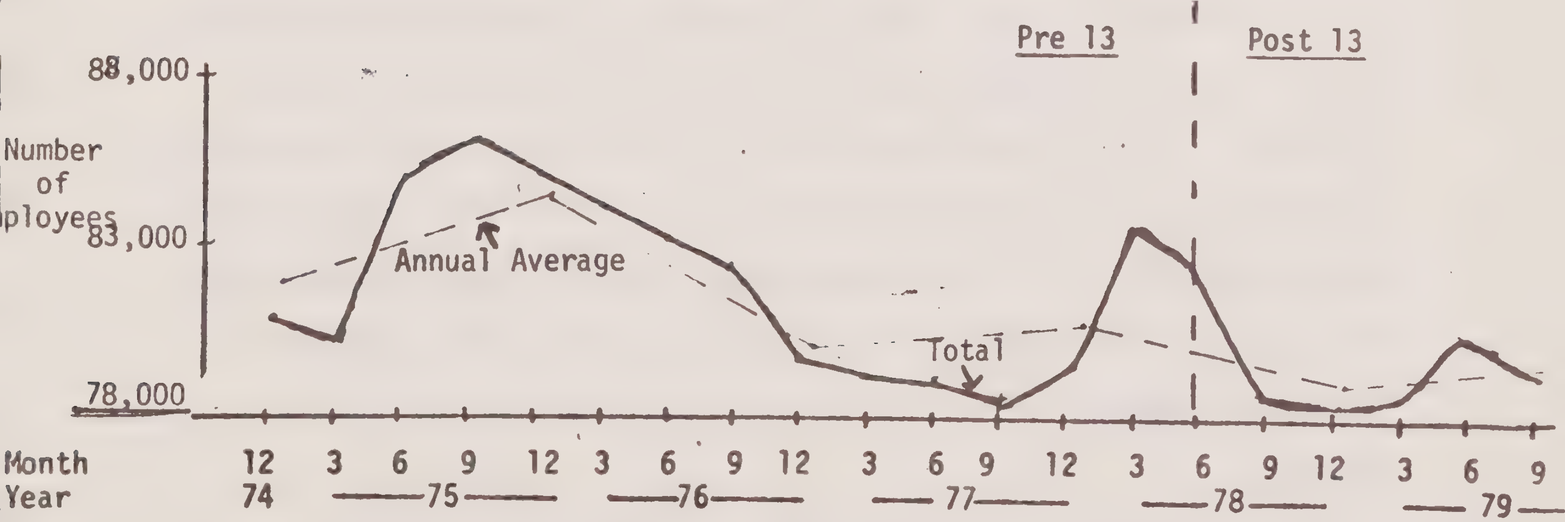
The freeze policy successfully reduced the size of the workforce by 10.1%, from its peak of 86,022 in September, 1975 to its low of 78,116 in September 1977. The Board relaxed the freeze late in 1977, leading to an increase of County employment to 83,330 in March, 1978. Just before the election on Proposition 13, coinciding with the preparation of 1978-79 budgets, the Board again imposed a strict freeze. The County workforce declined again to its low

of 78,116 in December, 1978. The hiring freeze has been relaxed, and the size of the County workforce again increased to its June, 1979 level of 80,155 employees.

After Proposition 13, as the graph shows, attrition in the County accelerated. The number of employees dropped by 5,125, from 83,331 to 78,116 between March and December, 1978. This decline, averaging 580 employees per month, was considerably more rapid than before Proposition 13, when the decline averaged 330 employees per month.

We attribute the acceleration to substantial uncertainty among County employees until the State adopted legislation to provide funds replacing the revenue lost through Proposition 13. Following the brief period of accelerated reduction, County employment increased.

SIZE OF WORKFORCE
MAJOR COUNTY FUNCTIONS



Some of the fluctuation in the number of County employees is due to seasonal variations of demand for such services as recreation and tax collection. Some is also due to the influence of external economic conditions, particularly unemployment rates, on such services as welfare and building permit processing. When the general economy weakens, the demand

for welfare services increases and the demand for construction related regulation decreases; these patterns are reversed in a strengthening economy. In the dashed line on the graph, we have eliminated the impact of seasonal fluctuations by presenting the average number of employees for each fiscal year (using December each year to represent the average).

The table below summarizes our information for the period of growth (1967-76), the period of Board-imposed reduction (1976-78), and the period since Proposition 13.

Number of Employees
Los Angeles County

Period (Fiscal Year Ending)	Average Number of Employees		Average Annual Percent Change (Compound Rate)
	Beginning of Period	End of Period	
1967 to 1976	58,830	84,560	+4.1
1976 to 1978	84,560	80,360	-2.3
1978 to 1980	80,370	79,480	-0.5

Over the 1976-1978 period, before Proposition 13, Board action reduced the number of County employees by 2.5% annually, from an average of 84,560 in fiscal '75-'76 to 80,370 in fiscal '77-'78. The average, net response to Proposition 13 is a slower reduction in the workforce than that accomplished before Proposition 13. The average annual reduction since Proposition 13 has been 0.5% of the County workforce, from 80,360 in fiscal 1977-78 to 79,480 in 1979-80.

Summary

Growth trends in the size of the County budget, adjusted for inflation, and the size of the County workforce have moderated in recent years. We have identified two periods of reduction. The first, from 1976 to 1978, corresponds to action by the Board of Supervisors to reduce the employee population and curtail costs. The second, from 1978 to the present, corresponds to Proposition 13 and subsequent State action to soften its impact

on local government.

Board action in 1976 slowed the growth rate of the locally controlled budget (in constant dollars) to zero from its 3.1% annually in the early 70's, and reduced the employee population by 2.3% per year. Reversal of the growth trends has continued since Proposition 13. The locally controlled portion of the budget has declined by 7.1% annually, and the workforce by 0.5% annually.

CHAPTER II

REDUCTION OF SPECIFIC FUNCTIONS

- Before & After Proposition 13 -

- *All County functions have been affected by the Board's resource reduction strategies.*

- *Local functions and the welfare and social services function were most affected before Proposition 13.*

- *Implementation of Proposition 13 shifted additional resources away from local programs to State and Federal programs.*

II - REDUCTION OF SPECIFIC FUNCTIONS
- Before & After Proposition 13 -

In this chapter, we describe the effects of reduction policy on specific services of State and County government. We focus on the two periods of reduction identified in the last chapter: the period from fiscal 1975-76 to fiscal 1977-78, influenced primarily by Board reduction policy, and the period from fiscal 1977-78 to 1979-80, influenced primarily by implementation of Proposition 13.

Our purpose in presenting the information and analysis in this chapter is to determine how County and State officials have distributed the impact of fiscal constraint among the various functions of County government. We also discuss new elements introduced by responses to Proposition 13 - that is, we determine the extent to which implementation of Proposition 13 had a more severe effect on some functions than others. As in the previous chapter, we use budgets and the size of the workforce to describe the effects of resource reduction policy.

County Services

Counties were initially organized as territorial subdivisions of the State. County government was established not to govern with its own authority, but to serve as an administrative convenience for the delivery of State services and enforcement of State policy. Section 1 of Article XI of the California Constitution states: "The State is divided into counties which are legal subdivisions of the State."

County services delivered on the State's behalf include health, welfare, justice, finance, elections, public record keeping, and environmental management. The State establishes criteria of eligibility for these services, which are available to any resident of the County meeting the criteria.

Health services include hospital care, communicable disease prevention

and treatment, mental health care and rehabilitation, and emergency medical care. Welfare services include distribution of such public assistance funds as aid to families with dependent children and food stamps, and such social services as child protection, care of juvenile court wards, counseling, and adoption services. Justice services include prosecution, defense of indigents, custody and detention of prisoners, courts, and supervision of people on probation. Financial services include property assessment, tax collection, and distribution of State and Federal funds. Election services include voter registration and election management. Public record keeping includes recording vital statistics and property transactions. Environmental management services include pest control, hazard abatement, community development planning, forest and watershed protection, and food and commodity inspection.

The State also requires counties to provide direct protective and environmental services to residents of unincorporated areas. These include police patrol and protection, fire protection, sewer construction and maintenance, animal control, zoning, building regulation, library service, and road and street maintenance. These services are also available to the residents of cities which contract with the County for the services.

In addition to the above, the State permits counties to deliver services on its own behalf. These include the construction, maintenance, and operation of such cultural and recreational facilities as music centers, museums, and regional parks, which are available to anyone.

County Political Functions

To the extent that it is merely an administrative extension of State government, the County does not function as a political entity. Its elected governing body - the Board of Supervisors - can exercise no choice over the

nature of the services it provides for the State and little choice over the level of those services. The State government defines the services and sets minimum standards governing the level of service. In the case of welfare grants and food stamps, for example, the Federal and State governments specify the criteria for eligibility and the amounts of the grants. The County has some control over the cost of administering the services. It establishes employment, organization and compensation policies which have significant impact on administrative cost. In a few instances, it can exceed minimum standards. Nevertheless, the County has no political choice of whether to provide State services.

In contrast, the Board of Supervisors has full political control over those municipal services the County delivers in unincorporated areas and over those countywide cultural services it delivers by its own choice.

Police and fire protection, animal care and control, building code enforcement, sewer and road construction and maintenance, library service and others are delivered by city governments as well as the County. The County is politically responsible for deciding on the nature and level of the service only in unincorporated areas. Of the 81 cities in Los Angeles County, about half have organized to deliver such services themselves and about half purchase the services from the County. In both cases, the Board of Supervisors has little or no real political role. The City Council acts as the decision making body for the people it represents. When the choice includes purchase of services from County government, the County controls some elements of the price, but nothing else. In unincorporated County areas, the Board of Supervisors acts as a city council. It determines what services will be provided, their level and quality, and the conditions under which they are provided.

The Los Angeles County Board of Supervisors is a political entity with considerable influence. It represents 7.5 million people - one-third of the State population. It acts as city council for some one million residents of unincorporated territory. Its political decision making role, however, is limited; the range of choices it has over alternative policies is constrained by the State law.

County Organization

The County operates 54 departments to deliver the services listed above. Each department is accountable solely to the Board of Supervisors.

The largest of the County departments is the Department of Health Services, with over 26,000 employees. The Department of Public Social Services is next in size with approximately 11,000 employees. The Sheriff has 7,000 employees; Probation has over 4,000; the Courts about 3,000; the District Attorney and the Fire Department about 2,000 each. These seven departments account for more than two-thirds of the County workforce. The remaining 47 departments are much smaller, with a few hundred employees each.

Approach

For the purpose of this chapter, we have classified the 54 County departments into ten functional areas, as shown in the table on the next page. Our classification is a reporting convenience. It does not imply that the departments in a group have any operational connections with one another, or even that they communicate. We have grouped them because they perform similar services and are similar in their relationships to the public.

In the remainder of this chapter, we estimate the changes of budget and workforce for each of the ten major functions and for several expenditure categories which apply to all functions. We have adjusted the budget data for

FUNCTIONAL CLASSIFICATION OF COUNTY DEPARTMENTS

Health Services

- Department of Health Services
- Department of Mental Health

Welfare and Social Services

- Department of Adoptions
- Department of Community Development
- Department of Military & Veterans Affairs
- Department of Public Social Services
- Department of Senior Citizens Affairs

Justice

- County Clerk
- District Attorney
- Grand Jury
- Marshal
- Municipal & Justice Courts
- Probation Department
- Public Administrator/Guardian
- Public Defender
- Superior Courts

Safety

- Department of Animal Care & Control
- Fire Department
- Medical Examiner-Coroner
- Sheriff

Culture, Recreation, Education

- Airports
- Department of Arboreta and Botanic Gardens
- Department of Beaches
- Farm Advisor
- Museum of Art
- Museum of Natural History
- Music Center Operations
- Music & Performing Arts Commission
- Parks & Recreation Department
- Public Library
- Department of Small Craft Harbors

Internal General Services

- Department of Building Services
- Communications Department
- County Counsel
- Department of Data Processing
- Mechanical Department
- Personnel Department
- Department of Purchasing & Stores

Regulation

- Office of Affirmative Action
- Agricultural Commissioner
- Department of Consumer Affairs
- County Engineer-Facilities
- Human Relations Commission
- Department of Weights & Measures

Finance

- Assessor
- Auditor-Controller
- Collections Department
- Treasurer-Tax Collector

Governance

- Chief Administrative Office
- Executive Office - Board of Supervisors
- Regional Planning Department
- Registrar-Recorder

Economic & Development Support

- Flood Control Department
- Road Department

inflation. Although the data are estimates, we have to the extent reasonable also adjusted for changes since 1976 in the County's accounting and reporting practices.

The estimates reflect total intergovernmental budgets and average workforce for each fiscal year. We emphasize that changes cannot be attributed solely to County action, since the data measure the size of the entire intergovernmental system managed by the County. Moreover, it is important to recognize that these indicators measure resources, not efficiency or effectiveness. We have not adjusted for changes of workload, the addition of cities to the County system, or reorganization of County departments. Such changes could, of course, appear as an increase in the cost or size of a department or function but represent an improvement in efficiency. We mention them when relevant, and discuss several examples in Chapter III. Finally, our indicators are sufficiently accurate for our purposes - to measure the response of whole systems to fiscal constraint and to discern broad differences of effect among different functions. They are not suitable for evaluation of any single County department and should not be used for that purpose.

Workforce Policy

In the table on the next page, the ten major County functions are listed in order of size. The first three columns contain the average workforce employed in each function in 1976, 1978, and 1980. The data for 1980 (the current year) reflect the average workforce up to June, 1979. The next two columns contain estimates of annual percent changes, expressed as compound rates, over the two periods. The next column contains the aggregate percentage change over the four year period; the last contains the net increase or decrease of workforce over the four years.

SIZE OF COUNTY WORKFORCE

Function	Average Number of Employees 1976	1978	1980	Average Annual Percent Change (Compound Rate) Pre-13	Post 13	Cumulative Percent Change 1976-1980	Total Workforce Change 1976-1980
Health Services	25,670	25,020	26,270	-1.3	+2.5	+2	+600
Welfare & Social Services	14,670	12,790	12,520	-6.6	-1.1	-15	-2,150
Justice	10,840	10,950	10,910	+0.5	-0.2	+1	+70
Safety	10,420	10,490	10,260	+0.3	-1.1	-2	-160
Internal General Services	7,110	6,840	6,990	-1.9	+1.1	-2	-120
Culture, Recreation, Educ.	6,040	5,120	4,620	-7.9	-5.0	-24	-1,420
Economic & Develop. Support	3,430	2,900	2,420	-8.0	-8.6	-29	-1,010
Finance	2,750	2,900	2,850	+2.7	-0.9	+4	+100
Regulation	2,180	1,950	1,520	-5.4	-11.7	-30	-660
Governance	1,450	1,400	1,120	-1.7	-10.6	-23	-330
TOTAL	84,560	80,360	79,480	-2.5	-0.5	-6	-5,080

First, over the entire period, which functions have experienced the largest and steepest declines of employee population? Welfare and Social Services lost 2,150 employees (15%); culture, recreation and education lost 1,420 (24%); economic and development support lost 1,010 (29%); regulation lost 660 (30%); governance lost 330 (23%).

Less steep declines of 2% occured in safety (160 employees) and internal general services (120). In contrast, employee resources have increased slightly in three areas. Health Services added 600 employees (2%); Finance added 100 (4%); and Justice added 70 (1%). In terms of employee resource allocation, then, these last three functions have increased in priority relative to the rest of the County.

Second, are there significant differences of employee reduction policy between the two periods? That is, have State and County responses to Proposition 13 continued or changed reduction policy for specific functions? We believe they have.

Before Proposition 13, the size of the workforce was declining or fairly stable (within 1%) for all functions except finance, which added 150 employees (2.7% per year). The increase in the finance departments reflects two changes which improved County productivity: 1) consolidation of various collection functions from several independent departments (particularly Health Services) into a Department of Collections; 2) increased staffing in the Assessor's Department to accommodate increasing workloads and changes of assessment policy.

The steepest declines of staffing before Proposition 13 affected economic and development support (8.0% annually), culture, recreation and education (7.9%), welfare and social services (6.6%), and regulation (5.4%). Altogether, these functions lost 4,040 employees. In addition, health services lost 650 (1.3%).

After Proposition 13, the declining trend reversed for health services, which has added over 1,250 employees since 1978. The rate of decline slowed for Welfare and Social Services, from 6.6% to 1.1%. Steep declines continued for such local functions as regulation, governance, economic support and culture. Declines appear for the first time in public safety and justice.

We take up the functions of welfare and social services, justice, safety, and culture and recreation in more detail in Chapters III and IV of this report, as particular examples of the effectiveness of various responses, within the context of workload and other productivity considerations.

From the information on workforce, we conclude that 1) all functions were affected by the hiring freeze, 2) local functions and welfare and social services were most severely affected; 3) since Proposition 13, the impact of workforce reduction policy has shifted away from services delivered by the County for the State and into city and County services delivered and controlled locally.

Budget Policy

Our purpose in examining budget information is to determine how the impact of resource reduction policy differs among County functions, and whether the overall year-to-year trends reveal changes of resource allocation policies as a response to Proposition 13. In order to do this, we have constructed measures which, within the framework of changing County budget practices, both reflect the amounts allocated to each function and are comparable over the period of interest. We use two tables. The first summarizes budgets directly allocable to County functions, the second County-wide cost elements. The figures reflect total budgets, regardless of sources of financing. The details of method and computation are available in the commission office.

In the table on the next page, we list nine of the ten major County functions in order of size; the internal services function is included as a Countywide cost element in the second table.

The first three columns in the table contain the total amount budgeted for the function, adjusted for inflation, in fiscal years 1975-76, 1977-78 and 1979-80. Otherwise, the table is structured in exactly the same way as the table on workforce policy.

The first question is, over the four year period, which functions have experienced the steepest and largest declines of budget? After adjusting for inflation, the budget for administration of welfare and social services is $11 million lower than in 1976 (9%); economic and development support is $52 million lower (32%); regulation is $9 million lower (36%); justice is $10 million lower (8%); culture, recreation and education is $8 million lower (20%); finance is $4 million lower (14%); governance is at the same level.

Budget allocations have increased in three areas: welfare and social services grants, up $77 million (16%); health services, up $97 million (26%); safety, up slightly by $1 million (1%). In terms of financial resource allocation, then, these three functions have increased in priority relative to the others. In addition, we point out that welfare grants - amounts controlled by State and Federal agencies - have increased, while County administrative costs have declined.

The second question is, did the effects of budget policy change after State and County implementation of Proposition 13? We believe they have.

Before Proposition 13, the budgets of such local functions as regulation, economic and development support, and culture, recreation and education were declining at annual rates of 1% to 6%. The budget for welfare administration, controlled by the County, was declining by 3.4% per year. The budgets for governance and finance were increasing at annual rates of 3% to 7%. The total

SIZE OF COUNTY FUNCTIONS BUDGET

Function	Budget Appropriation (Constant 1967 $ Million)			Average Annual Percent Change (Compound Rate)		Cumulative Percent Change	Total Amount of Change (Constant 1967 $ Million)
	75-76	77-78	79-80	Pre-13	Post 13	1976-1980	1976-1980
Welfare & Social Services							
Administration	118	110	107	-3.4	-1.4	-9	-11
Grants	496	600	573	+10.0	-2.3	+16	+77
Total	614	710	680	+7.5	-2.1	+11	+66
Health Services	377	440	474	+8.0	+3.8	+26	+97
Safety	147	159	148	+4.0	-3.5	+1	+1
Justice	130	129	120	-0.4	-3.6	-8	-10
Economic & Develop. Support	161	150	109	-3.5	-14.8	-32	-52
Culture, Recreation & Education	40	39	32	-1.3	-9.4	-20	-8
Finance	29	33	25	+6.7	-13.0	-14	-4
Regulation	25	22	16	-6.2	-14.7	-36	-9
Governance	16	17	16	+3.1	-3.0	0	0
TOTAL	1,539	1,699	1,620	+5.1	-2.4	+5	+81

budgets for intergovernmental programs were increasing: welfare by 7.5%, health by 8.0%, safety by 4.0%. The budget for justice was level.

After Proposition 13, the decline of inflation adjusted budgets for such local functions as regulation, economic and development support, and culture, recreation, and education became steeper, with annual rates of 9% to 15%. The budget for welfare administration continued to decline, but less rapidly than before Proposition 13. Governance and finance experienced declines for the first time, at annual rates ranging from 3% to 13%. The total budget for intergovernmental functions, except health services, began to decline for the first time: welfare and social services at an annual rate of 2.1%, safety at 3.5%, justice at 3.6%. The growth of the total health services budget decelerated to an annual rate of 3.8% from 8.0% before Proposition 13.

As we noted at the beginning of this section, we have excluded certain Countywide costs and reserves from the budgets allocated to functions. The table on the next page accounts for these costs, listed in order of size, in constant dollars.

Again, the questions are 1) how did the impact differ among the various costs?, and 2) did implementation of Proposition 13 introduce changes in the distribution of impact? Over the whole period, the County has significantly reduced reserves and capital project budgets for construction, replacement or alteration of facilities; the budgets for rental and internal general services have declined. Utilities, retirement and insurance, and the reserve for judgments have increased. The implementation of Proposition 13 introduced declines in the areas of retirement and insurance and internal general services, a sharp increase in the reserve for judgments, and an acceleration of the decline in capital projects budgets.

SIZE OF UNALLOCATED COST BUDGET

Source of Cost (Account)	Budget Appropriation (Constant 1967 $ Million) 75-76	77-78	79-80	Average Annual Percent Change (Compound Rate) Pre-13	Post 13	Cumulative Percent Change 1976-1980	Total Amount of Change (Constant 1967 $ Million) 1976-1980
Retirement & Insurance	139	158	143	+6.6	-4.9	+3	+4
Internal General Service Function	86	90	83	+2.3	-4.0	-3	-3
Reserve for Judgments	14	8	51	-24.4	+152.	+264	+37
Capital Projects	81	60	36	-13.4	-22.5	-55	-45
Utilities	12	15	30	+11.8	+41.4	+150	+18
Rent	26	24	23	-3.9	-2.1	-12	-3
Reserves	32	16	9	-29.3	-25.0	-72	-23
TOTAL	390	371	375	-2.5	+0.5	-4	-15

Budgets closely controlled by County action include reserves, rents and capital projects. Utilities costs can be controlled, but reflect the recent increases in prices in excess of inflation as well as the effects of controls. The costs of retirement, insurance and internal general services are partially controllable. We take up retirement and insurance in Chapter III.

The reason for the sharp increase of reserves for judgments is litigation resulting from State and County implementation of Proposition 13, regarding the tax rates applicable to personal property.

From the information on budgets, we conclude 1) all County functions and cost accounts have been affected by financial constraints; 2) the most significant impacts of budgetary constraint affected local functions and costs controlled by the Board of Supervisors; and 2) implementation of Proposition 13 shifted financial resources away from local programs to intergovernmental health and welfare programs.

Summary

County government operates fifty-four departments reporting independently to the Board of Supervisors. County functions include some which are performed on behalf of the State and primarily controlled by the State and Federal policy, some which are performed for residents of unincorporated areas and controlled to a greater extent by County policy, and some which are performed for the County as a whole and controlled fully by policy of the Board of Supervisors. We have grouped the departments into ten major functional areas.

We have reviewed resource allocation and reduction policy for each function in order to answer two questions. First, has the impact of resource reduction policy affected some functions more than others? Second, did State and County implementation of Proposition 13 change the way the impact of reduction policies is distributed among the various functions? The

answer to both questions is yes.

The County's workforce controls before Proposition 13 severely reduced health and welfare as well as economic support, regulatory and cultural functions. Public safety, justice and the local political and administrative functions were nearly exempt. After Proposition 13, workforce controls continued reduction of local economic support and regulatory functions and introduced reduction, for the first time, to public safety, finance and the local political function. Controls on State services - welfare, health and justice -, however, became weaker or were reversed.

The County's budgetary controls before Proposition 13 had the most severe impact on local functions - economic support, regulation, and culture or recreation. In addition, the Board achieved significant reduction by cutting its reserves and by eliminating substantial amounts for its building program. The total County budget continued to climb, after accounting for inflation, because of the influence of State and Federal policies. After Proposition 13, budget reduction was experienced, for the first time, in local public safety programs, justice, and the political and central administrative functions.

In short, resources have shifted away from local programs into State and Federal health and welfare programs. The table below expresses the net effect of the shift in terms of the percentages of total workforce and percentages of total functional budgets in each of three categories.

Shift of Resources

Functional Group	Percentage of* Functional Budget			Percentage of Total Workforce		
	1976	1978	1980	1976	1978	1980
Health, Welfare & Justice	72.9	75.3	78.7	60.5	60.7	62.5
Safety	9.4	9.4	9.1	12.3	13.1	12.9
Local Programs	17.6	15.4	12.2	27.2	26.3	24.5

* For total budget, the percentages are lower, but the results the same.

This concludes our review of the effects of cost reduction policy on the allocation of County resources among its various intergovernmental and local programs.

In the remainder of this report, we concentrate on specific actions and policies adopted by the Board of Supervisors to reduce costs. That is, using selected examples, we show how and why the resource reductions have had the effects discussed in Chapters I and II. We discuss the actions and their effectiveness in Chapter III. We discuss further improvements and the policy implications in Chapter IV.

CHAPTER III

REDUCTION STRATEGIES & ACCOMPLISHMENTS

. To manage the reduction of resources, the Board of Supervisors

- *imposed a hiring freeze before Proposition 13*
- *negotiated restraint of wage increases before Proposition 13*
- *negotiated reduction of employee benefit costs before Proposition 13*
- *proposed civil service reforms which the voters adopted*
- *improved productivity in welfare departments before Proposition 13*
- *reduced the capacity of public safety departments to provide services after Proposition 13*
- *reduced levels of cultural and recreational services after Proposition 13*

. The Board's actions have been effective. The County employs 5,080 fewer workers now than it did at its peak in 1976. Adjusted for inflation County wages have declined. Benefit costs have declined and should decline more in the future. Productivity has improved in welfare administration. Public safety costs have declined. Attendance and usage in cultural and recreational functions have declined significantly.

III. REDUCTION STRATEGIES & ACCOMPLISHMENTS

The County accomplished the resource reductions discussed in previous chapters using a variety of methods available to it within the framework of current public policy and current intergovernmental organization. In this chapter, we review the methods used to reduce Countywide costs and discuss the issues of policy and organization that must be resolved before other methods can be used.

In this chapter, we describe six strategies used by the Board to reduce costs and improve efficiency: hiring freezes, wage increase control, employee benefit cost control, civil service reforms, and selected examples of productivity improvement and service level reduction.

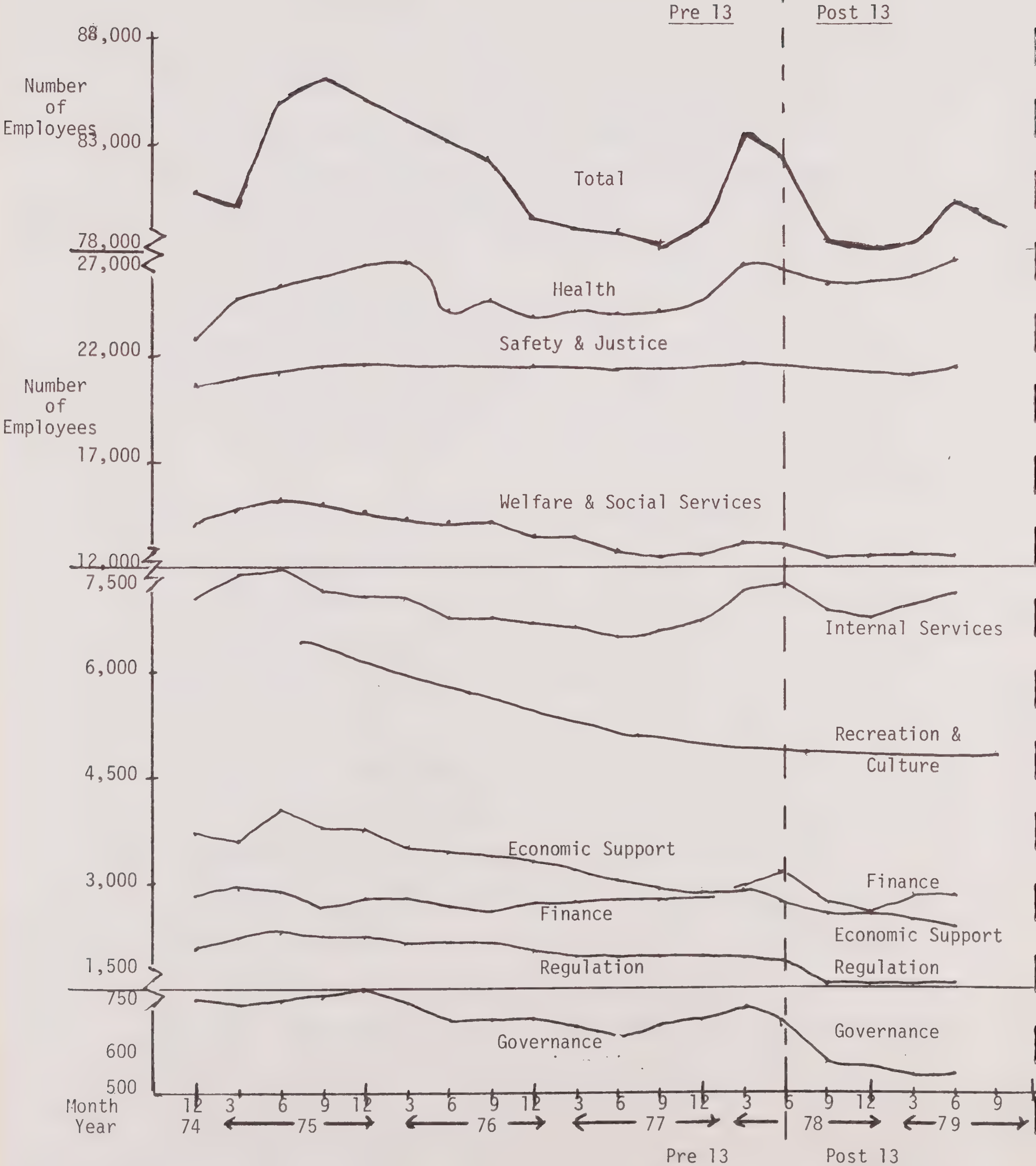
Hiring Freeze

Under a hiring freeze imposed by the Board of Supervisors, no County department can hire new employees or promote current employees to fill positions vacated by employees who leave the County. When such a freeze is imposed, therefore, the number of employees is reduced by attrition.

As we explained in Chapters I and II, the Board imposed a strict hiring freeze in 1976. We discussed the trends resulting from this policy in Chapters I and II. The graphs on the next page depict the quarterly changes in total workforce and in each function since 1974.

The freeze has been effective, for County controlled functions. The County employs 5,080 fewer than it did in 1976. Most of the net decline occurred before Proposition 13, principally because the average workforce in health services has increased by 1,250 employees since passage of Proposition 13. In the welfare and social services departments, the County took action to improve efficiency as well as to impose a freeze. The combined effect of the two measures has been a reduction of 2,150 employees in this function. All other County functions have halted growth or reduced staffing

SIZE OF WORKFORCE
MAJOR COUNTY FUNCTIONS



since imposition of the freeze.

However, as the graphs illustrate, workforce reductions tend to cycle when accomplished entirely through attrition and hiring freezes. The freeze was relaxed late in 1977, when the workforce reached a low just over 78,000 employees. It was strictly enforced again following Proposition 13, but has since been relaxed. This suggests that the effectiveness of the hiring freeze cannot be sustained in the County at levels below 78,000 employees, because of the arbitrary incidence of attrition.

It is the cyclical effects of the hiring freeze strategy that leads to issues of public policy.

Because a hiring freeze relies on attrition for its effects, management does not exercise a high degree of choice over the amount of reduction in any single function or activity. Attrition depends on the individual choices of employees to leave County employment. Its effects will be concentrated in areas where a significant number of employees are qualified for retirement or have substantial outside employment opportunities. Management cannot, therefore, plan for its effects or allocate them among the various departments and functions.

Moreover, County management has limited options in adjusting to the effects of attrition. When vacancies occur in skilled positions, the work performed by the former employee can be assigned only to an employee with the necessary skills. Management cannot, for example, assign the duties of a nurse to a laboratory technician. Other nurses must absorb the workload performed by the former employee. Even if reassignment or retraining is possible, the options are limited in the County civil service system by strict rules governing the assignment of work to an employee when the work is not in the job description of the position for which he or she

was hired. Eventually, in the freeze environment, the exercise of any of the options available to management will lead to challenges by employee unions on grounds of violating workload agreements, modifying working conditions, or assigning an employee "out of class". Because of such limitations, vacancies created by attrition essentially result in a reduction of the amount of work performed by the unit experiencing the attrition.

On the other hand, within the framework of present civil service rules, affirmative action laws, and negotiated contracts with labor unions, the hiring freeze is preferable to systematic layoffs. Civil service rules and union contracts require the County to manage layoffs on a strict seniority principle; management has no choice of which employees to retain. Because of the rigidity of seniority rules, layoffs tend to erase affirmative action gains. Employees who have benefited from recent affirmative action policy have the least seniority. Thus, women and minorities who have recently advanced are the first to feel the impact of layoff. County government cannot realistically negate affirmative action policy, since doing so would adversely affect its ability to obtain revenue from the Federal and State governments and would violate court and legislative decisions. Therefore, in the absence of civil service changes, County officials prefer the hiring freeze as a method of managing reduction.

In this environment, County management has only three realistic options to adjust to the uncontrollable impact of attrition when vacancies reach unsustainable levels. The first is to eliminate services as soon as too few employees remain to perform them. The second is to reorganize the County delivery system by consolidating functions. The third is to relax the hiring freeze.

The first two of the three options would require systematic and comprehensive revision of current public policy as reflected in the local political system. The Board of Supervisors could close a hospital ward, for example, only if it could convince State and Federal authorities that doing so would not materially diminish health care available in the community; it could eliminate a welfare office only with convincing evidence that the work performed there would be done elsewhere. Such changes would require revision of the intergovernmental system, and cannot be accomplished unilaterally by the County Board of Supervisors. The elimination of such local services as those of the museums, parks, libraries and consumer information agencies, is within the scope of the Board's unilateral authority, but would require substantial consensus in the community that the services are unnecessary.

Similarly, the second option - simplifying the County's 54 department delivery system - would require difficult and controversial political decision making to balance and re-evaluate the concerns of various constituencies. State law generally holds that the County cannot unilaterally add to or take away from the duties of any public official; this issue must be resolved before consolidation can be accomplished.

Even minor organizational adjustments often require changes of State law. Such proposals as the consolidation of duplicative Marshal and Sheriff services have consistently been defeated by influential special interests in Sacramento.

Since overhaul of the entire system has proven too difficult to be accomplished within the system, elected and appointed County officials are left with the third option for adjusting to the impact of attrition: they relax the hiring freeze to fill vacancies in essential positions. As we noted, a hiring freeze in the County has not been sustained at levels below 78,000 employees. This appears to be the level at which vacancies become so critical that action is necessary to correct for the haphazard effects of attrition. In the absence of major public policy change - to eliminate services or reorganize the system -, the adjustment has been to relax the freeze.

We conclude 1) that the hiring freeze has been effective in reducing the size of the County workforce; 2) the use of more effective methods would require changes of public policy and State law.

Control of Wage Increases

The salaries and benefits paid by the County to its employees are a major item of cost in the County budget. In the 1979-1980 budget, salaries and benefits amount to $1.6 billion. Each 1% increase thus adds approximately $16 million to the cost of County government.

The Board of Supervisors does not unilaterally control County salary levels. Over 90% of the County's workforce is represented by County employee organizations. Salary levels are the result of collective bargaining with these unions each year. Once agreements are reached, they become contractual obligations of the County.

Wage administration in an organization of 80,000 employees is complex and difficult. The Board of Supervisors and the unions must take a large number of factors into account when establishing their respective bargaining positions and negotiating final agreements. The County recruits and hires in a complex and competitive labor market. It therefore attempts to establish compensation levels that the Board and County management believe will be attractive to prospective employees and sufficient to retain present employees, within the constraints of available financing. In addition, the Board must consider the potential social effects of strikes or other job actions, and partially base its tenacity in negotiations on such considerations. Finally, the negotiators must consider current salary levels relative to wages in the community for comparable work, such other components of compensation as employee benefits, inflation, and compensation trends in the labor market.

We do not discount this complexity. The most effective device available to the Board to control wage costs is its negotiating policy on annual wage increases. Our review of the record convinces us that the County has effectively restrained wage increases, relative to inflation and community salary increases, since 1974. The table on the next page compares average County wage increases to overall inflation as measured by the Consumer Price Index (CPI), and to community wage increases as measured by the Joint Salary Survey (JSS). The annual rates of increase have been lower than the annual inflation rate (CPI) since 1973-74 and lower than community wage increases (JSS) since 1975-76.

Comparison of Average Percent Increases

Year	County Wages Annual	County Wages Cumulative	CPI Annual	CPI Cumulative	JSS Annual	JSS Cumulative
1967-68	-		-		-	
1968-69	6.3	6.3	3.9	3.9	5.7	5.7
1969-70	6.0	12.7	4.7	8.8	5.9	11.9
1970-71	7.8	21.5	5.1	14.3	6.0	18.7
1971-72	6.2	29.0	3.7	18.5	7.5	27.6
1972-73	3.9	34.0	3.2	22.3	5.1	34.1
1973-74	4.6	40.2	5.6	29.2	5.7	41.7
1974-75	7.4	50.6	10.3	42.5	6.2	50.5
1975-76	7.0	61.1	10.6	57.6	9.6	64.9
1976-77	5.3	69.6	6.6	68.0	7.3	77.0
1977-78	5.9	79.6	6.9	79.6	7.5	90.2
1978-79	4.5	87.6	7.3	92.8	8.1	105.7
1979-80	7.9*	102.4	11.3	114.6	7.0	120.0

Average rates of increase do not, of course, tell the whole story. They do not reflect differences among the 2,500 different positions in the County's classification system, and they do not reflect comparability of County salary levels with those paid by industry.

In particular, critics of County wage practices have, in past studies, concluded that County wage levels tend to be higher than those paid for similar positions in the private sector. The Grand Jury in 1977 found that the average monthly salary paid County employees in 31 surveyed positions exceeded average industry salaries for comparable work by 16.1%. The County Department of Personnel disagrees with both the methods of such studies and the results, because they oversimplify into a single measure the complex issues of job comparability, equity, and competition in the labor market.

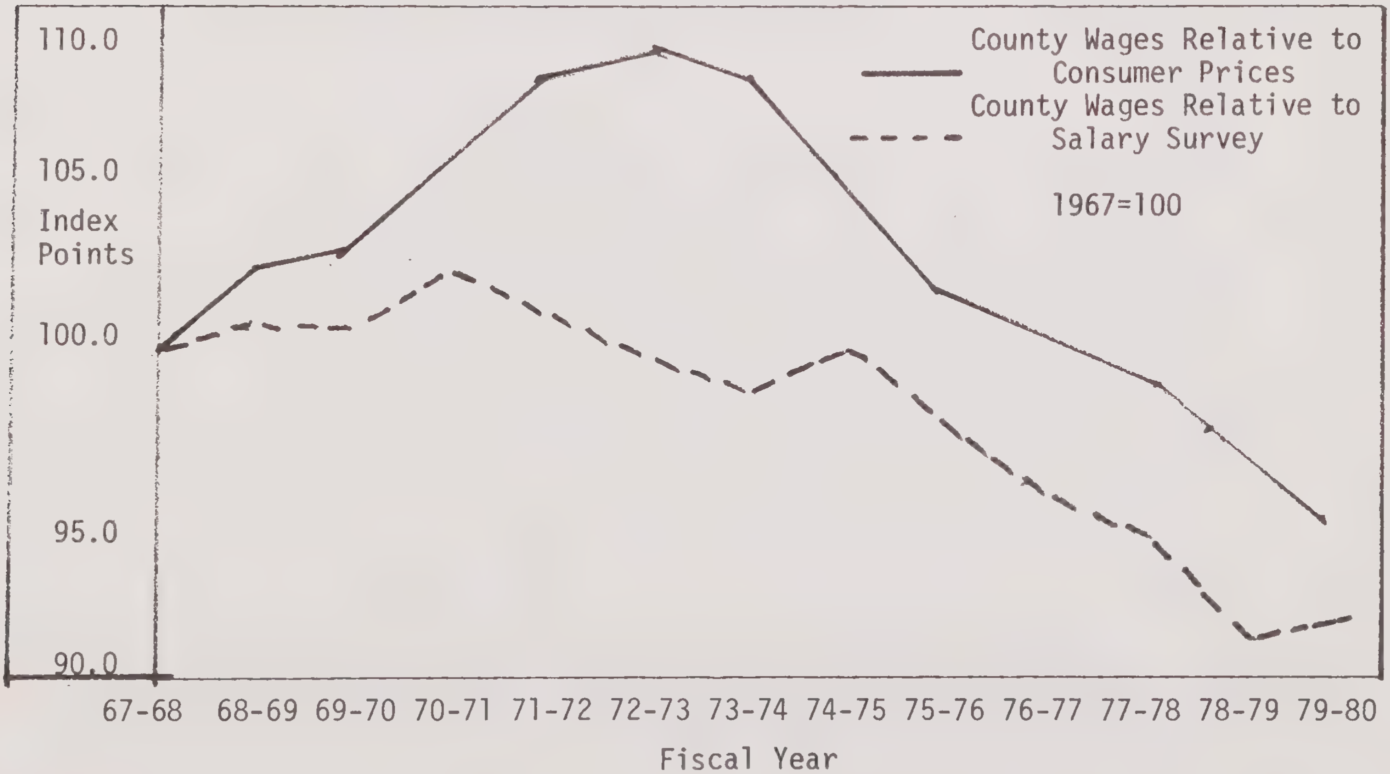
We agree that it is incorrect to conclude from such studies that all County salaries are excessive. Like every employer, the County tailors its negotiating position to the specific requirements of specific jobs. The studies have, nonetheless, indicated that appropriate action by the Board to

* This figure is the annual equivalent of 5.75% last June and 2% in January, 1980. It differs from the County's budgeting figure, which provides for the 1/2 year effect of the January increase.

determine and enforce strict negotiating policies could reduce gaps where they exist, thus improving overall salary performance as an element of County costs. Our finding in this section is that the Board has responded effectively to the pressure for change.

Before 1973, the cumulative effect of average increases put County wages ahead of both prices and community wages. The cumulative effect of County wage increases fell behind the salary survey by 1973-74 and behind cumulative price increases by 1977-78. Clearly, any advantage that some County employees might have had has been reduced. The graphs below illustrate the effects of this trend on average County wage levels relative to inflation (CPI) and relative to salary movement in the community (JSS).

Index of County Wage Increases
Relative to Inflation Indices



We therefore believe that the Board of Supervisors and County management have, through the collective bargaining process, improved County control over salaries to a reasonable extent within the framework of current policy and structure.

Moreover, we believe that the County can make still further progress in the near future. As our commission has repeatedly emphasized, major improvements of control over the cost of County government will require overhaul of systems and policies established years ago by former Boards. In the area of compensation policy, we recommended in 1976 that the County overhaul its automatic salary step system.

The major obstacle to overhaul of this costly element of the County's compensation system was, until 1978, the prevailing wage clause in the County charter. In June, 1978, the Board of Supervisors proposed and the electorate adopted a Charter amendment eliminating this clause which required the County to pay wages at least equal to those paid by industry for comparable work. The elimination of this clause removed constraints on the County's ability to bargain effectively and reduced the probability that litigation or the threat of litigation could affect the results of bargaining. County officials are thus now in a position to modify the step increase plan to operate as it was originally intended - as a performance incentive plan - rather than automatically.

Several additional policy issues bear on the County's compensation practices and the cost of employee wages. For example, the County has difficulty competing in today's heated labor market for clerical, engineering, and data processing employees. Should the County relax standards? Should it contract for additional work in these fields? These issues are political, relating to the control of quality and performance in the conduct of public business.

Control of Employee Benefit Costs

The County's employee benefit package, like wages, is a contractual obligation of the Board to County unions. Benefits include life and health insurance, unemployment insurance, workers' compensation, retirement and social security, and time off work for vacation, holidays, sick leave or other temporary leave. In such programs as health insurance, retirement, and social security, the County shares the cost with the employee. Each pays an amount computed as a percentage of the employee's salary. In the case of workers' compensation insurance, the County bears the full cost. The County is self-insured for workers' compensation. Thus instead of paying a premium, it budgets a reserve based on forecast losses. As for benefits consumed by the employee in the form of time off work, the cost is budgeted as salary cost.

The Board of Supervisors, like the executive of a private corporation, only partially controls these costs. Contributions to social security are established by Federal law. Insurance premiums are established by negotiation with insurance companies, underwriters and health maintenance organizations. The County's contribution to the retirement system is determined by actuarial formulas which depend significantly on statutory requirements that the system be actuarially sound as well as on the structure of benefits and management of the system's investments. Recently, national actuarial rules were changed to require employers' contributions to include amounts which, when invested, will provide for future inflation. Finally, in the opinion of public legal advisors, the employer cannot modify a retirement benefit structure except as it applies to new employees. Even benefits consumed as time off work are not fully controllable: for example, the Federal government recently adopted and is enforcing rules governing maternity leave.

Approximately 8,000 of the total County workforce do not qualify for all employee benefits. For those who do qualify, we estimate the cost of the benefit package as approximately 43% of salaries, or about $600 million. Costs range from a low of 41 percent of salaries in administrative offices to a high of 53% for firefighters and deputy sheriffs. Of this, retirement and social security account for 21% for most employees and 29% for public safety employees; health, life, dental and unemployment insurance for 6%; workers' compensation varies from 0 to 6% depending on the experience of the department; and time off for 14%. We derive these estimates from two reports filed annually by the Auditor-Controller to guide the computation of fees charged by the County to recover special district and contract city costs: the employee benefit report and the productive work hour report. They represent actual cost experience and may differ from the rates used by the County for budgeting and planning purposes.

How do County benefit costs compare to those of the community? Has the County improved control over benefit costs in the period of resource declines?

Expressed as a percentage of salary, the County's total benefit package costs about the same as the packages of large private corporations. According to surveys by the U.S. Chamber of Commerce, employers with more than 5,000 employees averaged 40% of salaries in 1977 and ranged as high as 49% for large financial companies. Allowing for differences of computation and reporting methods, we conclude that the County's average costs are comparable to those in the private sector.

Although the County's overall benefit rate is about the same as that in major private corporations, the mix of benefits differs in some respects. While private corporations provide much larger life insurance programs, for example, and may have bonus or other incentive programs, the most

costly County benefits are its retirement system (16%) and time off (14%).

The County's performance on both of these has been criticized by our commission, Grand Juries, and, most recently, Town Hall of California. The Board of Supervisors, in negotiation with County employee unions, has taken steps to improve performance.

The major source of cost in the retirement system that can be influenced by the Board of Supervisors is the structure of retirement benefits. Through the 1960's and early 70's, the Board continued to increase retirement benefits when permitted by State law. For example, the retirement age was reduced to 50, and the earnings on which benefits are based were increased to the employee's highest annual pay from an average of three-years' pay. The contract auditor of the 1977 Grand Jury recommended substantial modification of the plan to incorporate a more realistic benefit structure.

County and city legal advisors have stated the opinion that retirement benefits promised an employee are contractual obligations that cannot be reduced by the employer. While other legal advisors disagree*, the legality of reducing future benefits for all employees has not been tested in court.

The Board of Supervisors has modified the retirement benefit structure for new employees. The table below summarizes the effects of these changes on the County's 1980 contribution to retirement for employees hired in each period. As the table shows, the County's share for new employees was halved as a result of these modifications.

County Contribution Rates, 1980
(Percent of Salary)

Period Hired	County Contribution General Members	County Contribution Safety Members
Before 9/77	18	30
9/77 to 9/78	9	16
10/78 to 5/79	8	16
After 6/79	7	16
Average - All Employees	16	29

* Town Hall of California, <u>The Pension Balloon</u>, Los Angeles, April, 1979.

Despite the reduction for new employees, the County's contribution to the retirement system, expressed as a percent of salary, continues to increase. The principal reason is the new actuarial rule requiring current contributions to provide for future inflation. The weighted average cost of the County's contribution has thus increased from 15% of salary in 1978-79 to 16% of salary in 1979-80. Future costs will decline as the proportion of new employees in the County system increases.

Time off work and workers' compensation are also significant contributors to the County's benefit costs. In our 1977 report, The Los Angeles County Budget, we recommended concentrated, high priority efforts to improve County control over these costs. At the same time, the Grand Jury and the Chief Administrative Officer were concluding similar studies. A central finding was that the incentives then built in to the County's compensation system encouraged employees to use sick leave and take advantage of workers' compensation.

The Board of Supervisors has since reached agreement with the unions on improved control over sick leave and workers' compensation. As a result, the use of sick leave has declined from an average of 13.7 days in 1976-77 to an average of 12.1 days in 1979-80. This amounts to an 11.7% decrease. Viewed as a percentage of salaries, it is the equivalent of a decline from 5.3% of salary to 4.6%. The annual savings amounts to approximately $11 million. County employees' use of other forms of paid leave has also declined since 1976, from an average of 1.7 days in 1976-77 to 0.8 days in 1979-80. Vacation has decreased slightly, from 13.9 days to 13.5; the number of holidays has remained the same at 11.0 days.

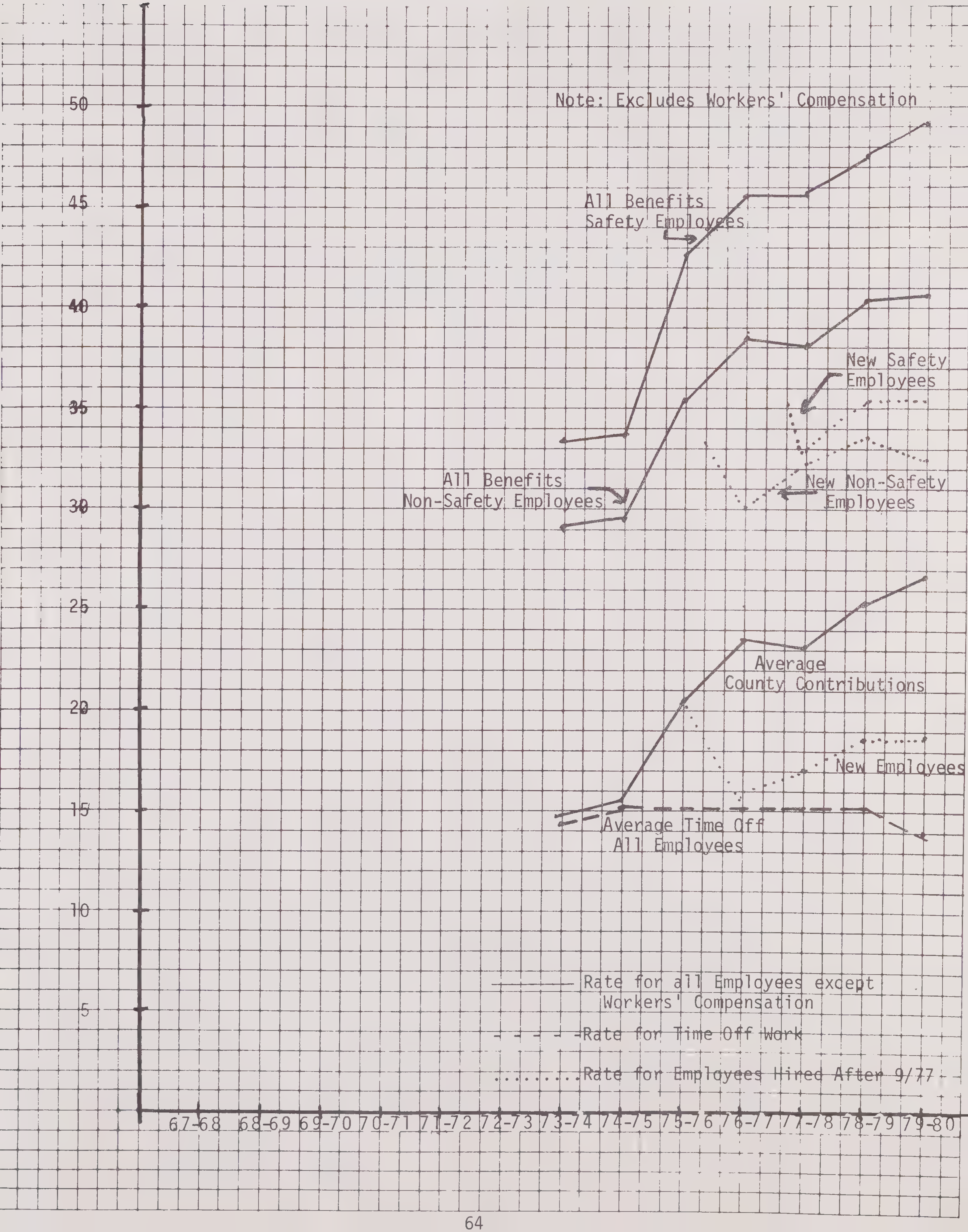
The consequence of the various policy changes and improved discipline has been a reduction of benefits consumed in time off, expressed as a percent of salaries, from the high of 15.1% between 1975 and 1978 to the current level of 14.0%. This reduction is the equivalent of nearly $18 million in the current budget.

The Board has also been implementing the recommendations of the management audit of workers' compensation concluded in 1977 by the Chief Administrative Officer. So far, these changes have reduced actual incurred losses by $15 million from $58.4 million in 1977 to $43.0 million in 1978-79. Further improvements are still in implementation stages, particularly staffing necessary to reduce the probability that claims are delayed for such long periods that litigation becomes necessary.

A graphical summary of the trends in the cost of employee benefits, expressed as a percent of salary, appears on the next page. We conclude that Board action has improved control over the cost of the benefit package - most dramatically for new employees, because of retirement changes, but significantly overall. The savings should increase in future years, particularly in retirement and sick-leave costs.

While further improvement may be within the scope of Board control, significant future reforms will require action by the State legislature. The Grand Jury's auditors in 1977 stated that "significant amendments to the County Employees' Retirement Law of 1937 would be required to implement a plan..." designed along the lines suggested in their report. Similarly, our commission and the CAO cited changes of workers' compensation law as necessary conditions for improving control of the cost of that system. For example, the legislature has failed to modify Section 4850 of the Labor Code, which guarantees 100% of salary to public safety workers for the first year on dis-

County Contribution to Employee Benefits
(Percent of Salary)



ability leave - an incentive encouraging the use of such leave.

Civil Service Reforms

The Board of Supervisors has introduced additional modifications whose effects on cost control are not yet known. In particular, the Board sponsored and the public adopted three amendments to the County Charter which are likely to have considerable impact on the Board's future ability to control costs. They are

- an amendment removing department heads hired after 1976 from civil service protection.
- an amendment restructuring the Civil Service Commission and revising its rule-making procedures.
- an amendment permitting the County to contract with private firms for services when doing so can be shown to be more cost-effective than performing the service with County employees.

We believe that the first two should improve the Board's ability to tighten control over its organization and reduce the operational impact of archaic and unwieldy civil service provisions. The third - contracting with private firms - has great promise as a means of improving productivity.

We have insufficient information to quantify or predict the impact of these changes. Not enough time has passed since their adoption, in 1976 and 1978, to permit analysis of their effectiveness. Civil service rule changes, for example, take several years to adopt; several more years would pass before their influence on the system could be determined.

The County has made some progress in exploring the use of contracting with private firms for services. Some 53 proposals to contract are in various stages of preparation in 26 departments. The Contract Services Advisory Committee has been developing several additional proposals.

County employee unions have initiated steps to fight contracting. They filed unfair labor practice charges with the County's Employee Relations Commission. They allege that from the first the unions should be party to any consideration of contracting County work to private firms.

Example of Productivity Improvement

As we noted in Chapter II, the County has reduced employment in its welfare and social services function by 2,150 since 1976.

Most of the activities within this function fall into the mandatory category of intergovernmental services that are administered by County government under State and Federal regulations specifying the amounts of each grant and the criteria of eligibility for assistance. Nevertheless, as our commission has repeatedly emphasized, the Board of Supervisors can influence system costs by controlling employee productivity, the size of the workforce employed to provide the services, and the organization of the system. The evidence indicates that the County has improved productivity.

The largest department in the group, DPSS, has reduced its workforce by 16% from 13,860 employees in 1975-76 to 11,610 in 1979-80. The administrative budget, adjusted for inflation, declined by 9% from $118 million to $107 million (constant 1967 dollars). During the same period, the caseload managed by the department declined by 5.1% from approximately 946,000 persons in 1975-76 to 898,000 at present.

The decline in caseload is partly attributable to improvements of the economy, particularly the reduction of the unemployment rate from 9.8% in 1975-76 to 5.5% at present. The much more rapid decline in the size of the administrative budget, and the improvement of productivity it implies, must be attributed to management systems introduced by the department in a period of generally improving economic conditions. Specifically, the department

- implemented work measurement systems affecting the production of 80% of the staff.

- implemented a computerized caseload information system supporting recipient eligibility determinations, reducing case processing time, and substantially increasing the success of fraud or error prevention and detection.

- implemented work simplification and consolidation measures permitting a reduction of over 500 management or supervisory positions.

We believe that further reductions will require re-evaluation of Federal and State welfare policy. Some of the declines in this function are attributable to external economic conditions rather than to governmental constraint of resources. The size of the workforce employed by the Department of Public Social Services (DPSS), for example, is particularly sensitive to the unemployment rate in the region. When unemployment declines, the corresponding decline in welfare applications reduces the number of employees the department needs to operate. Some of the decline in the employee population can therefore be attributed to the effects of reduced demand between 1976 and the present, when the unemployment rate in Los Angeles County declined.

In a worsening economy, resource needs are likely to increase, at a rate controlled by the work measurement and computer system we described, or those in need of services will not receive them. Policy alternatives are available: they will require State and Federal action to reform the welfare system.

We conclude: County action to improve the efficiency of welfare and social services has been effective; further cost reduction will require intergovernmental policy changes.

Service Level Reductions: Safety Function

The response of County and State government to the reduction of resources available for County services has led to declines in the capacity of County government to provide certain services and in the quantity and quality of others. In this section, we review two examples - the County's safety function and the County's cultural and recreational function.

Both functions are best viewed within the context of the entire city-county system of governments. Both the County and cities within the County perform services and provide facilities for these functions.

New cities may join the County system; others may drop out or form their own consolidated organization. Resource reductions in one part of the system may affect the whole system; what appears to be an increase of resources in the County's part of the system may amount to a decrease of the whole if new cities have joined.

Two departments dominate our grouping of Safety services: the Sheriff, with 7,450 employees, and the Fire Department, with 2,460. The Sheriff's workforce is essentially unchanged since 1976; the Fire Department's is down by 200 employees, or 8% since 1976. The total budgets are unchanged since 1976, after adjusting for inflation. However, the budgets were increasing slightly before Proposition 13 and declined after.

New cities have entered the County system, magnifying the effects of resource declines with increased workload.

The Fire Department has reduced its capacity to provide service in forested and watershed areas, but has retained approximately the same compliment of stations and staffing in developed areas as before Proposition 13. The department has consolidated two stations in Claremont, eliminated two patrols in Hacienda Heights and Topanga Canyon, closed one camp, eliminated a helicopter crew, and eliminated a forestry unit.

We refer to these changes as reductions in capacity because their effect on the level of service, as measured by hazards to life and property, cannot be known empirically until after fires or other emergencies occur in the affected areas. Department officials and fire protection design experts provided the capacity in the system so that the County could respond in a timely fashion to such emergencies. The expectation is, therefore, that elimination of the facilities, by reducing response capability, will reduce the level of service provided in the event of an emergency. It is also true, however, that substitute equipment and personnel might respond in time. Thus, the reduction at most implies an increased risk of hazard rather than a direct decline in the level of service.

The Sheriff has adjusted to workforce declines by reducing certain overtime. Deputies use overtime, as permitted by law and provided for in union contracts, for on-the-job and inservice training. The primary effect of the reduced overtime, therefore, has been to defer such training to some time in the future when staff can be hired to replace people in training. The deferral of on-the-job training, like the Fire Department's reduction of capacity, is not the direct equivalent of a service level reduction. Its effects will not be known empirically until some time in the future when police service becomes less effective or tragedy occurs because deputies have let their skills lapse or lost knowledge of laws and procedure. Police officials and experts in police system design have provided for levels of training in the system that they have found, by experience, to result in acceptable levels of risk. Reducing the training increases the risk, even though no reduction in service level is immediately perceptible.

In the case of both police and fire, therefore, the effect of Proposition 13 has been to increase the risk that the system cannot respond in time or perform as effectively. In the absence of alternatives, every effort should be made to increase staffing at least to former levels in the Fire and Sheriff's departments.

Feasible alternatives have been known for years. While we have no evidence of inefficiency in any single department, our commission and other organizations that have analyzed the city and county system have identified several alternative methods of restructuring the 40 independent jurisdictions into more efficient resource allocation and delivery systems. Implementing any of them will take considerable planning and design work to identify service needs based on terrain, the nature and density of the population, the type of development, and similar complexities. The choice of cooperating to develop such alternatives, however, is an issue of public policy for each of the 40 political entities.

Service Level Reduction: Culture, Recreation, Education

County and State constraints have slashed the resources committed to the ten County cultural, recreational and educational departments. They have lost 1,420 employees since 1976 - a 24% decline. Their budgets, adjusted for inflation, have declined 20%.

Each of the departments in this group operates with strong ties to privately financed voluntary support groups. In some cases, County support is small relative to the total cost of the services. For example, ticket buyers finance the major share of Music Center costs; rentals finance the Marina; the Museum Associates and Museum Alliance and private donors pay for or provide large shares of the museums' collections. Tax resources supply the major share of financing for the beaches, the arboreta, the parks, and the libraries.

Over the last three decades, public policy has supported taxpayer financing of the activities of these departments. The development of Marina del Rey and the Music Center were financed with revenue bonds. Fees collected pay principal and interest on the bonds. Once the bonds are retired, substantial revenue will become available for general County purposes; therefore, local officials agreed to provide limited subsidies in the form of service supporting activities at the facilities. Similarly, public policy called for free cultural and recreational facilities. Free museums, libraries, beaches and parks were nurtured by local public officials to enhance the quality of life in the rapidly urbanizing environment.

The first effect of recent contractions of resources on the cultural life of the community has been to modify or reverse such policy. Both museums and the arboreta introduced admission fees. The Board of Supervisors reimposed a ticket tax at the Music Center and cut its support staff in half. Parking fees were increased at the Music Center and at the beaches. In short, the County adapted to the loss of resources by increasing the level of user financing relative to taxpayer support. If the legislature had not acted to replace revenue lost to Proposition 13, the County planned to eliminate the taxpayer subsidy altogether, thus either eliminating the function or putting it on a full user financed basis.

The cultural departments have also adapted to contraction by pursuing efficiency improvement measures. Parks and Recreation, Beaches, Music Center operations, and the Museum of Art, for example, are vigorously pursuing the use of contracting with private firms for some services to

improve cost effectiveness. The Public Library has been implementing the recommendations of a 1979 management audit to improve its control and management systems.

In most cultural departments, however, the principal impact of economy measures has been reduced levels of service.

The imposition of admission fees at the museums and arboreta resulted in attendance declines. The reported effects were an 80% reduction at the Museum of Art and 40% at the Arboreta and the Museum of Natural History. Thus, although the level of service supplied by the County in the form of capacity remained the same, the public chose to use the services less because of the charges.

The Public Library, which initially received no replacement revenue from the State after Proposition 13, deferred all acquisitions of new books and materials for its collections. In addition, the libraries reduced hours open for service by 10%-15% at all facilities and closed a few of its access points. These reductions in service capacity resulted in a 5% drop of circulation in 1978-79.

The Departments of Beaches and Parks and Recreation deferred equipment maintenance and replacement to future years, and, in addition, curtailed the level of maintenance at all facilities. This did not directly affect the quantity of services provided: the public still chose to use the beaches and the parks, which are, after all, still virtually free. Public choice determines the level of service at these facilities. The changes did, however, significantly degrade the quality of services, at least temporarily. Conditions at the beaches, in particular, deteriorated after Proposition 13 because of the lack of maintenance resources.

In short, then, County resources devoted to cultural, recreational and educational activities have declined significantly since 1976. The County has adapted to the reductions by increasing user financing, by improving efficiency, and, principally, by reducing levels of service. The reductions amount to modification of public policy bearing on taxpayer support of culture and recreation.

Further reduction will entail comprehensive revision, and in some cases reversal of public policy. Our investigation has revealed that the alternatives do not involve efficiency issues that can be addressed by any single unit of government. Rather, they involve two elements of public policy: the cooperation of all local jurisdictions on restructuring the delivery system for local services, and the cooperation of the users and sponsors of cultural and recreational facilities in financing the services they consume.

<u>Summary</u>

In this chapter, we have reviewed cost control strategies adopted by the County Board of Supervisors and stated our conclusions on the effectiveness of those strategies and their relationships to public policy and structural issues in the current organizational and operational framework.

To improve Countywide control, the Board has enforced hiring freezes to reduce the size of the County workforce. It has succeeded in negotiating with County unions wage-increase policies designed to improve control over the growth of County wages and reduce the excess of County wages over those paid by industry. It has succeeded in negotiating reductions in the County's commitment to contributions supporting employee benefit plans and improvements in the control of costs attributable to paid time off work and workers' compensation. Finally, the Board has sponsored and the public has adopted

several Charter amendments reforming the civil service system which should improve its future control over costs.

The County has also introduced new management systems, particularly in the Department of Public Social Services, to improve productivity. It has reduced the capacity to provide service in public safety. It has reduced the level of service delivered in cultural, recreational and educational departments.

The Board's actions have been effective. The County employs 5,080 fewer workers now than it did at its peak in 1976. Adjusted for inflation, County wages have declined in recent years. Benefits consumed by employees in the form of time off work have declined as a percent of salaries. The rate of increase in the County's contribution to employee benefit plans has been slowed; contributions for employees hired since September, 1977 have been significantly reduced. The cost of welfare administration has declined by 9% while caseloads have declined by 5%. The costs of public safety are approximately the same as in 1976, while workload has increased. The costs of cultural, recreational and educational departments have been slashed by 20%.

Adjustment to further resource reduction will require the public, the Legislature and city and county officials to cooperate to revise public policy and the structure of the intergovernmental operating system. We discuss selected examples of available policy alternatives in the next chapter.

CHAPTER IV

POLICY ALTERNATIVES AND ISSUES

- *Further resource reduction will require changes of State-local policy and restructuring of city-County systems. In each of the following cases, a County cost could be reduced or a non-tax source of financing increased; in each case, however, difficult policy issues must be resolved. We believe that local government, not the State, is the appropriate arena in which to deliberate on the consequences of change.*

  The State should transfer to the Board of Supervisors the responsibility to decide whether

  - *to consolidate the Marshal's and Sheriff's civil process and bailiff functions*
  - *to increase civil filing fees and the interest rates on judgments*
  - *to modify standards in such apparently small matters as first call mortuary services and dog licensing periods*

- *In addition, the State should create incentives for restructuring county-city systems in public safety and recreational and cultural services. Finally, the public should decide whether it wants to retain its cultural and recreational programs and, if so, how to finance them in a period of declining resources.*

IV. POLICY ALTERNATIVES AND ISSUES

In Chapter III we discussed how State and County officials have implemented the resource reductions over the past few years. We noted that the options are frequently limited by public policy and the structure of local government institutions. Further reduction will require modification of policy and structure. Alternatives are available. They are not simple. Implementing any of them will affect constituencies. With further resource reduction looming on the horizon, however, it may be time to consider them as realistic choices.

The issues are State-County-City issues. Resolving them at the County level will require statutory authority in most cases. In all cases, resolving them will require the cooperation of State, County and city officials, the constituencies they serve, public employee unions, and the general public.

Court Services Efficiency

The court system is a State function. Moreover, because of the priority placed on the independence of the judiciary in our society, the Board of Supervisors does not have full control over such elements of cost as the size of the workforce, some of the salaries, and organization. The County needs enabling State legislation to effect substantive improvement.

Many authorities on the judicial system point out that efficiency, by itself, cannot be a principal factor in the administration of justice in our society. The system itself is fundamentally structured on adversary principles and meant to protect everyone's rights - an inherently inefficient structure. In addition, in the past few decades our society has experienced considerable change in such fields as defendants' rights, consumer law, and

environmental law. The magnitude of the changes translates directly into increased costs in the justice system, regardless of efficiency considerations.

It is nevertheless true, in a period of massive reductions in government resources, that modest changes of public policy affecting the cost of the court system may be reasonable.

One such change has been rejected by the legislature for over 12 years. Two County agencies perform identical functions: the Marshal and the Civil Division in the Sheriff's Department. The Sheriff provides bailiffs for the Superior Courts, the Marshal for the Municipal Courts. Both the Sheriff and the Marshal serve writs and processes issued by any court. Consolidation of these two duplicative agencies, which spend over $30 million annually, would save on the order of $5 million. Although ten counties in California already have consolidated, the legislature has failed to pass legislation permitting Los Angeles County, and 14 others with the same situation, to consolidate.

The question of consolidation raises issues of public policy. The Municipal and Superior Courts are separate from one another. It is legitimate to ask whether consolidating a service function would interfere with that independence or with the ability of a Municipal Court Judge to control what goes on in the courtroom. In considering whether a merged operation should be organized within the Sheriff's department or the Marshal's, it is legitimate to ask whether law enforcement personnel should be present in positions of authority in a trial court.

These questions and others are legitimate. They can be resolved. We believe that the County Board of Supervisors, not the State legislature, should be accountable for making the choices to balance the issues with the potential for saving $5 million annually.

Court Financing

Social change has also increased pressure on the Superior Courts in all areas: criminal, family, probate and civil. We live in an increasingly litigious society, and judicial process is more complex than it was as recently as a decade ago.

The courts are required by law to place top priority on clearing criminal and juvenile cases. By choice, for practical and humane reasons, they place high priority on family and probate cases. Any backlogs that develop therefore accrue among civil cases.

For several years, the Governor and the Board of Supervisors have resisted granting increased resources requested by the courts as a means of reducing the civil backlog or halting its growth. In 1977, for example, the Board of Supervisors asked our commission to evaluate a Superior Court request for 34 additional Superior Court judges. We recommended the request be denied.

While court resources have not increased, the civil case backlog has increased. At approximately 70,000 cases it has reached critical proportions. Some cases face dismissal because the law requires dismissal of cases filed five or more years ago. Under present conditions, it appears necessary in the interests of justice to add to the complement of judges. The State legislature and the Governor have authorized the addition of 25 judges to the Los Angeles Superior Court system.

The cost of additional judges is substantial. For each additional judge, the taxpayer must provide court reporters, clerks, bailiffs, courtroom and chambers, some secretarial and research support, and services and supplies. We estimate the annual cost of the 25 judges to the taxpayers of the State to be $4 million (based on the assumption that the additional courts will be limited to civil matters).

Policy alternatives have been proposed by the County to the legislature, but rejected. They would change the balance between taxpayer and user financing of civil processes in both the Municipal and Superior Courts.

We do not discount the complexity of the issues raised by this proposal. We believe that additional user financing is feasible. At present, the system is designed for the convenience of civil litigants, encouraging rather than discouraging litigious behavior. For example,

- since filing fees have not kept up with inflation, the taxpayer subsidy of civil litigation is increasing and now amounts to some $15 million of potential revenues from more suitable fees.

- the statutory interest rates on judgments is set far below market rates, thus encouraging litigants with weak cases to defer settlement as long as possible.

An effective, direct approach to the critical backlog of 70,000 civil cases in the courts would be to reduce incentives supporting civil litigation. This alternative has been proposed repeatedly by Los Angeles and other counties. It has been defeated in the State legislature because of strong opposition from special interest groups.

We believe that the legislature should transfer to the County Board of Supervisors statutory authority to make the choices among methods of financing the courts and setting interest rates. Such a transfer would put the responsibility and accountability for the consequences on elected local officials. We believe that fees and interest rates should be raised.

This proposal, however, has significant policy implications. First, it could destroy the uniformity of the State Court system among the various counties. Second, it raises the question of whether the Board's authority would represent more substantial interference with the Constitutional guarantees of a separate judiciary than the legislature's current authority. Third, it could limit access to the courts. Fourth, it raises the question whether the priority system which favors criminal cases should be changed

to relieve pressure on the civil side.

Resolving such policy issues will be difficult. Much more severe adjustments would have been necessary in the absence of State supplied funds replacing lost property tax in the wake of Proposition 13. For example, before State replacement revenue became available, the County was planning cuts of $100 million in the eight justice departments, approximately 45% of their budgets. Efficiency measures themselves, regardless of how effective, are unlikely to achieve savings of that magnitude. Comprehensive restructuring, reordering of justice system priorities, and reversal of social public policy would have been necessary. We believe, for example, that branch courts and offices in outlying parts of the County would have been closed; the District Attorney would have eliminated specialized investigation of consumer fraud, official misconduct, and organized crime; the courts would have terminated civil case processing.

The public mandate is fiscal constraint. The legislative response has been to increase the cost of the courts by $4 million to support 25 additional civil judges, while failing to support County-sponsored legislation that would reduce the taxpayer subsidy of civil litigation by $15 million and offer the adjuvant possibility that market forces - associated with fees and interest rates - would help discourage litigation. The policy issues and trade offs are complex. While State implementation of Proposition 13 supplied enough funding for program increases, it left policy options closed. In this period of diminishing resources, we believe it is critical to remove statutory limitations on the alternatives that local officials can consider.

Public Safety Restructuring

Public safety departments are less limited by State law than the courts - that is, except for a few programs, they do not represent County delivery of a State service and the Board of Supervisors is less severely

circumscribed in terms of the details of employment, salaries and organization.

In the case of both police and fire, the effect of diminishing County resources has been to reduce the level of service in the County system by increasing the risk that the system cannot respond or perform in time of emergency. As we said in Chapter III, we believe there are feasible, practical alternatives; they will require substantial cooperative city and county effort to develop new and more flexible interjurisdictional delivery structures.

Alternative structures have been developed, proposed, and discussed by local and State officials since the late 1950's. The key to them is understanding that the inefficiency of public safety systems is structural, involving the entire system rather than any single jurisdiction.

The most recent comprehensive treatment of the problems and the alternatives can be found in our commission's 1979 report, Challenge For The 1980's: Can We Govern Ourselves? A comprehensive treatment of the Fire Protection System and alternatives can be found in our 1972 report, Fire Protection in Los Angeles County. Those interested in additional documentation can find studies of commissions, committees, scholars, and politicians dating back to 1917. All studies have led to the same conclusion: metropolitan public safety systems are grossly inefficient because of their interjurisdictional structure. This is true even when each of the individual jurisdictions is designed and operating at peak efficiency. It is a case where the aggregate efficiency of the system is much lower than the efficiency of any single part, because of the relationships among the various parts.

The studies conclude that the principal source of inefficiency is the excess capacity that has been generated because approximately 40 separate, independent agencies deliver similar services. The resources near the boundaries of neighboring jurisdictions may be duplicative. The studies

propose reorganization to eliminate or reduce the effects of boundaries. Reorganization alternatives include consolidation, inter-jurisdictional contracting, and regionalization using joint powers agreements or special districts.

Moreover, sufficient legislation has been adopted enabling local jurisdictions to eliminate the effects of boundaries. Some progress has been made in Los Angeles County. The contract city system is highly developed and 30-40 cities participate, depending on the service. Joint powers agencies have been established by several cities to consolidate animal care and control services. Three or four additional cities have joined the County's consolidated fire protection district since 1972. The City-County Consolidation Commission and the Fire Services Commission have been studying and discussing the various issues for about two years.

Before implementing any structural alternatives, cities and the County must develop plans and needs assessment analyses which provide for such complex differences among jurisdictions and communities as terrain, the nature and density of the population, the type of development, and the like. In addition appropriate alternative organizational and financial designs must be developed to address the specific needs and resources of each community.

The obstacles are political. Restructuring the system will involve the re-evaluation of public policy in the various jurisdictions. We believe that one major obstacle is also legislative implementation of Proposition 13. Instead of seizing the opportunity to encourage restructuring and support the necessary planning and design work, the legislature merely provided enough replacement revenue to finance the current inefficient system. Indeed, in its initial statutes responding to Proposition 13 (SB 154 in 1978-79), the legislature required each local jurisdiction to provide the

same service levels as in prior years.

Public Safety Standards

Both the Department of Animal Care and Control and the Medical-Examiner Coroner are small in relation to the safety function and to the County. Each, however, provides a startling illustration of how the legislature and the Board have neglected policy alternatives in implementing Proposition 13.

Dog licensing is a public health requirement to ensure that animals are vaccinated against rabies. It is nearly self-financing in Los Angeles County. In addition, the County uses a fee scale which provides population control incentives.

Rabies vaccine is effective for three years (36 months). The State standard for licensing, however, requires renewal at least every 30 months. Most counties in the State, like Los Angeles, require annual license renewal.

State and County officials, then, should evaluate the various cost - benefit and policy implications of relaxing the standard to correspond more closely with the period of vaccine effectiveness.

In the case of the Medical-Examiner Coroner, the State recently restricted fees for embalming and other first call services. As a consequence, private mortuaries no longer would contract with the Coroner to provide first call services. The County was forced to increase staffing and provide space. The policy issues include such questions as control of business practices in the mortuary industry and the access of indigents to the protection of government.

In both cases, the State has elevated standards - and taxpayer costs - to fail safe levels. In this period of fiscal constraint, we believe that the ability to choose should be returned to the local taxpayer.

Restructuring Cultural and Recreational Services

The alternative interjurisdictional structures we described above for public safety functions also apply to cultural and recreational services, with the added element of user choice. Users from everywhere in the County and from elsewhere in the State and nation travel to the museums, the Music Center, the small craft harbors, the arboreta, the beaches and some parks. Most parks and libraries, however, are organized to serve a local area which is small relative to the size of the jurisdiction operating them. Both cities and the County operate parks and libraries. In addition, schools, community colleges, state colleges, private universities, and the University of California operate libraries which are or could be open to the public. We therefore believe that one central policy issue bearing on the availability of cultural and recreational services is excess capacity in the system as a whole. As in the case of public safety, further reduction of resources would seriously degrade services in the absence of interjurisdictional restructuring. An effective approach to the alternative - restructuring - requires legislative action creating incentives for local officials to accomplish it.

Financing Cultural and Recreational Services

A second distinction applies to cultural and recreational services, whether local or regional. That is, consumption of these services, unlike many others of government, is a matter of individual choice. Public policy, as developed by local elected officials over the last three decades, has held it desirable to provide many such services free to the consumer and to subsidize others. We believe that the contraction of taxpayer resources required by Proposition 13 may result in a comprehensive revision of these policies.

We do not advocate full user financing of cultural and recreational programs and facilities, because of the limitations of access it would imply. Nevertheless, user and community financing enables the taxpayer to exercise choice. If taxpayers eliminate public financing through Proposition 13 and similar revenue limitations, and, in addition, consumers cease to use the services when required to pay for them, then the public choice to eliminate them will be clear.

New forms of community support, various forms and levels of user financing, and some taxpayer support are all reasonable alternatives that are being considered by the cultural and recreational institutions in Los Angeles County.

It is important to recognize that the issues and alternatives raised by further resource reduction do not involve simple matters of operational efficiency in any of the cultural and recreational departments. Rather, they involve two elements of public policy bearing on the communities' choice of whether to provide such services and choice of the level and quality of service: 1) interjurisdictional restructuring and 2) the cooperation of users and sponsors in financing the services they consume.

Summary

In this chapter we have discussed a few of the public policy alternatives relevant to governmental management of resource reduction, and we have cited some of the issues that must be resolved before action can be taken to achieve improvements. There are, of course, many others.

In the case of the courts, the legislature should transfer to the Board of Supervisors the responsibility 1) to decide whether to consolidate the Marshal's and Sheriff's civil process and bailiff services and 2) to decide what levels of filing fees and interest rates should apply to civil litigation.

In the case of public safety function, the State should 1) provide incentives for restructuring the interjurisdictional system and 2) return to local government the responsibility to choose standards and levels of service in such apparently minor areas as dog licensing and first call mortuary services. In addition, the County and the 81 cities in the County should put aside their various political concerns and begin developing specific needs assessment, plans, and designs to accomplish restructuring.

In the case of cultural and recreational services, additional resource reduction will put the survival of these institutions at stake. Again, a degree of city and County system restructuring could help; it is likely, however, that some new sources of financing will have to be found.